

# VERMONT



## SCHOOL BOARDS ASSOCIATION

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*Great Governance, Excellent Education, Strong Communities*

TO: House Ways and Means Committee

FROM: Sue Ceglowski, Executive Director and General Counsel, VSBA

RE: Education Finance Proposal Draft 1.1

DATE: March 26, 2025

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My name is Sue Ceglowski; I'm the Executive Director and General Counsel for the Vermont School Boards Association (VSBA). I appreciate the opportunity to testify today on the Education Finance Proposal Draft 1.1.

The work that is happening in the House Education Committee and this Committee concurrently is incredibly consequential, complex and interrelated. We know it will all come together in one bill eventually, so I want to let the Committee know that the VSBA supports the Vermont Superintendents Association's [Timeline and Framework for Incremental Change in Vermont's Education System](#) which calls for a thoughtful and incremental approach to change.

### **Education Finance Priorities**

The VSBA has six education finance priorities:

1. Focus on students by providing sufficient funds to support equitable, sustainable high-quality education in Vermont's school systems.
2. Ensure predictability in the school district budget process.
3. Give enough time for school districts to adjust to any changes.
4. Provide data and modeling to show the impact on districts over time.
5. Strengthen accountability for the use of public dollars.
6. Include measures to address the cost drivers.

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### Focus on Students by Providing Sufficient Funds

Adequacy of funding over time is critical to providing high quality education. We appreciate that the initial proposed base amount (education opportunity payment) will be based on the current state of Vermont school districts and schools and not on what is envisioned for the future. It will be important to ensure that the base amount remains adequate, stable and predictable over time and adjusts for future cost increases such as those caused by inflation, rising costs of health benefits, rising costs of tuition and increased costs caused by legislation. That

means an inflation adjustment each year will not be adequate to keep pace with costs that are rising faster than inflation, such as health benefits. We appreciate the inclusion of an inflator in the bill and will be reaching out to other states to ask how the NIPA inflator has worked for them.

We have concerns about the nomenclature in the draft language for spending on top of the base and thank the Committee for considering alternatives. Calling spending on top of the base “excess spending” is problematic for a few reasons. First, it will lead to conflation with the current excess spending threshold. And second, it’s an inaccurate term in this new context. If the base will be called “education opportunity payments” (as currently proposed), the term for spending on top of the base should have a neutral connotation rather than the negative connotation of the words “excess spending.”

We also have questions about how existing bonds and reserve funds will be handled under possible new district configurations and a new funding formula.

#### Ensure Predictability in the School District Budget Process

Currently, the basic data that school boards need to determine the effects of budget decisions on taxpayers are provided very late in the budget process and change frequently. Moving to a foundation formula has the potential to add more predictability in the budget process if the Agency of Education is able to determine each district’s education opportunity payment in an accurate and timely manner. We are interested in understanding what changes will be made at the Agency of Education to ensure that the Agency is able to complete this critical task on time. We’re also interested in working with you on the timeline for the entire process, from when the Secretary provides each district with its education opportunity payment (which should happen at the beginning of the timeline) to when the school board approves the budget and determines whether or not spending on top of the base is needed, to when the electorate votes on the spending on top of the base.

#### Give Enough Time for School Districts to Adjust to Any Changes

Moving to a new funding formula requires planning, coordination and education. Any transition to a new funding formula should give enough time for school districts to adjust to any changes.

#### Provide Data and Modeling to Show the Impact on Districts Over Time

Changes should not be made without data and modeling to show the impact of a new funding formula on school districts over time. We understand that this is difficult to accomplish with the current uncertainty of the future composition of school districts and wanted to emphasize that it is a critical step in the process.

#### Strengthen Accountability for the Use of Public Dollars

Public school budgets are designed to be accountable and transparent in the use of public funds, ensuring that taxpayers can see how their money is being spent. School districts are required to follow strict state and federal regulations for financial reporting, and annual

budgets are typically developed through a collaborative process involving school boards, district administrators, and community input. These budgets must be publicly presented, approved by elected school boards and adopted by voters, with detailed information made available to the public through budget meetings and reports. Public school districts undergo independent audits to ensure compliance with financial standards and publish financial statements to maintain transparency and build public trust. This process provides accountability and transparency for the use of public dollars.

Accountability and transparency are lacking for the use of Vermont's taxpayer dollars in private schools. Any change to the education funding formula must strengthen accountability for the use of public dollars by requiring private schools receiving public tuition to follow the same rules as public schools. For example, if public schools will be held to minimum class sizes, private schools receiving public tuition should be held to the same standards. And it goes without saying that a new funding formula should be accompanied by policy choices that ensure the state complies with the Compelled Support Clause of the Vermont Constitution.

#### Address the Cost Drivers

Changes to the funding formula will not be successful in reducing the cost of education without addressing the major cost drivers in school district budgets. One of the major drivers is the cost of public school employees' health benefits. The Legislature should utilize the control it has by revising the statewide bargaining process for school employees' healthcare.

Through the current bargaining process and two wins in arbitration, school employees pay zero dollars in deductibles due to the collectively bargained Health Reimbursement Arrangement that sits on top of the VEHI plans. These benefits are consuming a larger and larger portion of Vermont school budgets. In 2018, health benefits made up less than 10% of school budgets. Fast forward a few years and it's now around 15%. If health benefits continue to grow at the current pattern, they will make up 20% of school budgets in a few years. To deal with this issue, school boards have to hold the line on the remaining parts of the budget. Bottom line: Healthcare is squeezing out other education initiatives and could do so in a more aggressive manner under a foundation formula.

#### Conclusion

We look forward to testifying again as the Committee continues its work on developing its education finance proposal.