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**To:** House Ways and Means and House Education Committees  
**From:** Sue Ceglowski, Executive Director and General Counsel, VSBA  
**Re:** Considerations and Principles for Education Funding Reform  
**Date:** February 6, 2025

## **INTRODUCTION**

Thank you for the opportunity to introduce the Vermont School Boards Association (VSBA) and provide testimony on considerations and principles for education funding reform. My name is Sue Ceglowski; I'm the Executive Director and General Counsel for the VSBA. With me today is Nicole Mace who is a Winooski School Board member and the VSBA's appointee to the Commission on the Future of Vermont Public Education. I will testify first and then Nicole will provide her insights and questions.

I have submitted a two-page document which provides information about the VSBA, its members, vision, mission and beliefs on the first page and our legislative priorities on the second page. We reviewed this information with the House Education Committee in previous testimony, so I won't repeat it again this morning. I am going to utilize the VSBA's education funding legislative priorities in order to provide the Committees with considerations and principles for education funding reform.

## **Education Funding Priorities**

VSBA understands the education funding challenges Vermont is facing and we want to be a constructive partner in addressing those challenges. We're committed to finding solutions with you. When looking at possible changes to education funding, the VSBA has six 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.

Our testimony today will provide more details under each of these six priorities.

#### Focus on Students by Providing Sufficient Funds

Adequacy of funding over time is critical to providing high quality education. Questions we ask when considering a change to Vermont's funding formula and sufficiency of funds include:

1. Does the formula provide enough funding to meet the actual cost of delivering high quality education with the current configuration of Vermont school districts and schools?
2. Will the formula provide stable and predictable funding for school districts over time?
3. Does the formula include mechanisms to reduce the impact of sudden economic downturns or fluctuations in enrollment?
4. Is long-term sustainability built into the funding formula to ensure funding remains adequate and reliable over time?
5. Does the funding formula plan for future cost increases (e.g., inflation, rising costs of health benefits, rising costs of tuition)?
6. Does the funding formula include the cost of tuition for districts that pay tuition, ensuring tuition increases at the high school level do not require reductions in spending at the elementary and middle school levels?
7. Does the formula align with federal requirements (e.g., Individuals with Disabilities Education Act [IDEA], Every Student Succeeds Act [ESSA])?
8. Does the formula include not only operational costs but also capital expenses for maintaining and improving facilities?
9. Does the formula address technology infrastructure to support modern educational needs?

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

The regular review of consistent, valid data is how school boards exercise their core oversight responsibilities and how Vermonters can determine whether their schools are upholding the commitment to public education for all Vermont students. Much like the Joint Fiscal Office (JFO) is the most trusted source of state financial data, the Agency of Education is expected to be the most trusted source of financial data related to Vermont education.

Currently, the Agency does not meet its minimum statutory responsibility to provide timely financial data that school boards need to build and adjust their budgets. The following are specific examples where financial data is insufficient or non-existent.

Vermont has a shared financial model for funding public education; therefore, data (about both spending and student outcomes) should be readily accessible. Measures like per pupil spending, staff to student ratios, capital spending and much more are not available for easy comparison.

Even 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. For example, education spending per long term weighted average daily membership is used to calculate a district's equalized tax rate. When that number (provided by the Agency of Education to each district) is provided late, changes frequently or is erroneous, the uncertainty creates distrust.

Questions we ask when considering a change to Vermont's funding formula and predictability in the school district budget process include:

1. What changes will be made at the Agency of Education to ensure that the Agency provides critical financial data to school districts in a timely and predictable manner?
2. What are the proposed changes in the timeline for developing, approving and adopting school district budgets?
3. Will changes in the timeline work with a fiscal year that ends on June 30?
4. How will the transition from the current timeline to any new proposed timeline affect school board elections and budget votes (most of which currently happen on Town Meeting Day at the same time as municipal elections and budget votes)?

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

Moving to a new funding formula requires planning, coordination and education. Moving to a foundation formula, as suggested by the Governor, will affect Vermont's school districts differently. For some districts, the introduction of a foundation formula may bring the opportunity for increased education spending. For other districts, the introduction of a foundation formula may reduce funding by millions of dollars, jeopardizing essential student programs. Questions we ask when considering the time frame are:

1. Can all of Vermont's school districts adjust to a "flip the switch" approach to imposing a foundation formula without severe cuts?
2. Should any governance changes come first, before changing the funding formula?

3. Are there transition mechanisms the state could utilize to ensure essential student programs are not at risk?

#### 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.

#### 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 is lacking for the use of Vermont's taxpayer dollars in private schools. When considering a proposed change in the education funding formula, questions we ask in this area include:

1. Will public tuition still be paid to private schools? If so, how will taxpayers be able to see how their money is being used in those schools?
2. What will the state require from private schools accepting public tuition in order to provide accountability and transparency for the use of public funds?
3. How will the state ensure that public tuition to private schools 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 could utilize the control it has by revising the statewide bargaining process for school employees' healthcare. We understand that this will be a difficult discussion but putting it off will only make the problem worse.

Through the current bargaining process, benefits have become so rich that school employees pay zero dollars in deductibles. 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. How will the state address the cost of these increasingly expensive benefits?

Another major cost driver is school facilities. Many of Vermont's school buildings have reached the end of their useful life. The moratorium on state aid for school construction since 2008 has impacted school budgets with the cost of maintaining deteriorating buildings. How will the state address the conditions of school facilities in relation to funding changes?

A more recent and very concerning cost driver is the increased need for student mental health supports so that students can access their education. Schools have taken on this expense as the need has grown. How will the state address the cost of mental health services and programs in relation to funding changes?

The last cost driver we will cover today is existing laws and regulations. Many of them were put into place without attention to how much pressure they would put on local school budgets. How will the state ensure that existing laws and regulations, such as Act 173 of 2018, are adequately funded?

## **Core Priorities**

In addition to providing considerations related to education funding priorities, I will briefly highlight three of VSBA's core priorities:

1. Improve the capacity of the Agency of Education to meet its statutory responsibilities.
2. Require the Agency of Education to expand and maintain a comprehensive data dashboard.
3. Restructure the State Board of Education.

A VSBA Task Force of school board members from across Vermont developed these priorities in response to long-standing challenges that have impacted districts' ability to realize their educational goals, including financial goals. We are providing [this link to the full Task Force Report](#) and the summary checklist on the next page because any proposed education funding changes are inextricably intertwined with the Agency of Education's ability to function and provide leadership, data and support.

| Status | Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Entity Responsible    |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
|        | <b>Expand and Maintain a Comprehensive &amp; Accurate Data Dashboard</b> by providing a publicly available, accurate and accessible data dashboard as a mechanism to ensure equity for all students and by utilizing data as the single most important way to effectively monitor the state's ability to meet its education policy needs.                                                                                                                                                                         | AOE                   |
|        | <b>Improve the Capacity of the Agency of Education to Meet Statutory Responsibilities</b> by conducting a comprehensive organizational analysis in order to understand why the AOE has been unable to meet its statutory responsibilities to oversee public education in VT. This analysis, inclusive of feedback from the field and an evaluation of the culture of the organization, should result in a redesign to support better Agency function.                                                             | AOE                   |
|        | <b>Utilize the District Quality Standards to Conduct a Review of the Function of the State Board of Education</b> The SBE should adhere to the governance standards outlined in Section 113 of the DQS and should be required to conduct an annual self-assessment on its own adherence to these standards.                                                                                                                                                                                                       | General Assembly, SBE |
|        | <b>Depoliticize the State Board of Education</b> by restructuring to ensure that it can act in a non-political capacity. The appointment structure should be expanded so that the Governor does not have sole authority for appointing members. The SBE makeup should more proportionately represent local school board members from districts that operate a public school. SBE should have adequate resources to conduct its work, either through the budget allocation process or by leveraging AOE resources. | General Assembly      |
|        | <b>Prioritize Existing Legislation</b> Attempts to implement new legislation without the underlying data and structures to support it will continue to put students and public education in jeopardy.                                                                                                                                                                                                                                                                                                             | General Assembly, AOE |
|        | <b>Acknowledge the work of the Commission on the Future of Public Education</b> Recommendations to the General Assembly re: public education funding, delivery and governance will be addressed in the Commission's work. This work needs to be completed in order for substantive improvements to be made.                                                                                                                                                                                                       | General Assembly, AOE |