



Small & Sparse Schools: Cost Adjustments & Policy Design Considerations

Presentation to the Vermont House Committee on Ways and Means
April 1, 2026

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What the Evidence Shows

Small & sparse schools face real, measurable cost pressures

- Schools with <100 students → +\$3,157 per student
- Schools in areas with <55 persons/sq mi → +\$1,906 per student
- Both conditions → \$5,063 per student

Considerations:

- Applies only to where a district operates a school
- Does not apply to districts or towns that do not operate schools



Why These Costs Exist

- Costs are driven by **operating a school** in these contexts
 - Small schools:
 - Minimum staffing regardless of enrollment
 - Limited economies of scale
 - Sparse areas:
 - Transportation challenges
 - Staffing and service delivery constraints

Districts incur additional costs to operate small schools and schools in sparsely populated areas.



Policy Goals Under Act 73

- Align funding with "small/sparse by necessity"
 - Target funding to:
 - Schools that are small/sparse and **must operate**
 - Avoid funding for:
 - Schools that are small/sparse due to local preferences



Two Design Options

Two ways to deliver small & sparse cost adjustments:

1. Weights in the Foundation Formula (Act 73 approach)

- Schools with <100 students: 0.21
- Schools in sparsely populated areas: 0.13
- Weights will be applied to small/sparse schools operating "by necessity"

2. Categorical grants

- Schools receive a per student grant equal to the dollar value of the cost adjustment
- Qualifying schools meet the criteria set by General Assembly for operating "by necessity" to receive grants

The difference is not in the funding amount (in \$'s), but in how the funds are accessed/distributed to schools.

Small/Sparse School Weights

Pros:

- Integrated into the existing formula
- Predictable and automatic
- No separate program required

Cons:

- More difficult to target funding at specific schools that operate in larger districts
- May be more challenging to align with “by necessity” qualifying criteria/process

Small/Sparse Categorical Grants

Pros

- Precisely targeted
- May be easier to align with “by necessity” qualifying criteria/process
- Transparent/easy to explain

Cons

- Requires a separate administrative process
- Operates separately from foundation formula



Additional Design Considerations for Categorical Grant Program

- Single vs. multiple grant amounts (small, sparse, or small + sparse)
- Clarify that the grants are for students who attend qualifying schools
 - Should not apply to:
 - All students in a district
 - Students located in towns that do not operate a school
- Need to develop clear criteria for:
 - Grant eligibility (“by necessity” and clear definitions for small and sparse “school”)
 - Whether there are expectations for districts to target funding at specific schools vs. unrestricted district revenue