
TESTIMONY

TO: Vermont Senate Committee on Appropriations
FROM: Katie Smith, Special Education Finance Director
SUBJECT: Section E. 307.6 Testimony
DATE: April 15, 2026

Executive Summary

Vermont's school-based Medicaid reinvestment framework ensures federal funds are used intentionally for prevention and early intervention that improve student health and academic outcomes. These investments are central to Safe and Healthy Schools strategies, addressing chronic absenteeism, mental health, and barriers impacting vulnerable students.

The Agency of Education (AOE), as the State Education Agency, plays a critical role in reviewing local investment outcomes, setting rules, aligning with the Agency of Human Services (AHS) and federal Medicaid requirements, and ensuring accountability. As Vermont approaches federal compliance changes in 2026, maintaining this structure is essential for responsible stewardship and system alignment.

Strengthening—not weakening—this framework will protect decades of progress and ensure Medicaid funds continue to support healthier students and stronger schools.

Background

The Agency of Education appreciates the opportunity to provide the Committee with information on the intentional reinvestment of school-based Medicaid funds and their role in supporting prevention, early intervention, and Safe and Healthy Schools.

Historically, Vermont's statutory framework directs Medicaid reimbursement toward prevention and early intervention for students from prekindergarten through grade 12. These reinvestments allow schools to identify needs early, reduce barriers to learning, and support students with disabilities and complex health needs. Statute has long required funds to support both program administration and student-centered services tied to performance and continuous improvement. This ensures federal



funds are used intentionally and with accountability, not absorbed into general spending.

Student health and academic success are inseparable. Reinvestment supports mental health services, MTSS, school nursing, family engagement, and wellness initiatives that address chronic absenteeism and disengagement. Evidence shows improved health leads to stronger academic performance, better attendance, and improved school climate. These investments are foundational, not supplemental, to education.

As the State Education Agency, AOE ensures funds are used effectively and equitably. While the Agency has collected reinvestment plans in the past, the administrative burden of managing the School Based Medicaid Program has precluded an intensive review of these plans. With the changes contemplated in the *original version* of H.558, the AOE would have the resources available to review supervisory union plans, align investments with District Quality Standards and Continuous Improvement Plans, and track outcomes statewide. This creates transparency, supports continuous improvement, and allows successful strategies to be shared.

AOE's rulemaking role is essential as Vermont moves toward federal compliance by July 1, 2026, including a transition to a cost-based Medicaid model. In coordination with AHS and the Vermont Department of Health, AOE aligns education and health systems, establishes clear expectations, and adapts to federal requirements. This reduces administrative burden and ensures funds are used as intended, supporting students.

Beyond compliance and oversight, the Agency serves as a statewide leader and connector. It acts as a hub for data and accountability, tracking how funds are used and what outcomes they produce. It provides technical assistance and guidance to supervisory unions, helping them design and implement effective reinvestment strategies. It also positions Vermont as a national leader, as other states increasingly look to models like Vermont's to inform their own policies. Without a clearly defined role for the Agency, there would be no entity responsible for setting standards, tracking outcomes, or ensuring that funds are used in ways that benefit student health and outcomes.

This work is particularly important in the current policy context. Federal guidance emphasizes the need for states to expand school-based Medicaid services and demonstrate intentional, data-driven use of funds, especially in meeting Early and Periodic Screening, Diagnostic, and Treatment requirements. At the same time, other states are strengthening their policies to require intentional reinvestment, prohibit supplanting of existing funding, and ensure robust reporting and accountability structures. Vermont has been at the forefront of this work for decades. The question before us is whether to maintain and strengthen that leadership or risk undermining a system that has consistently supported student success.

Intentional reinvestment of Medicaid funds is, at its core, about outcomes for students. When these funds are used responsibly and strategically, students receive the health services they need to access education, schools are better equipped to support the whole child, and communities benefit from improved long-term outcomes. The Agency of Education's role in reviewing investment plans, engaging in rulemaking, aligning systems, and ensuring accountability is essential to sustaining this work. Preserving that role ensures that Vermont continues to use its resources wisely and in service of healthier students, stronger schools, and better outcomes for all.

Request for Amendment to H.558 as Currently Drafted

We respectfully ask the Committee to restore and retain the full statutory language in 16 V.S.A. § 2959a, as introduced in H.558, to ensure Medicaid reinvestment funds are used for prevention and intervention programs. We further ask that AOE's authority to adopt rules governing fund use, reporting, and coordination with state-placed student reimbursement (16 V.S.A. § 2950) be explicitly preserved.

Maintaining the July 1, 2026 effective date is also critical to ensure continuity of funding authority and alignment with federal requirements. These actions will protect responsible stewardship, sustain Safe and Healthy Schools strategies, and ensure continued positive outcomes for Vermont students.