

Recommendations for Adult Education & Literacy Funding in Vermont

Submitted in accordance with 2025 Act 27 Sec. E.504.3

Legislative Charge

2025 Act 27 Sec. E.504.3:

(a) On or before December 1, 2025, the Agency of Administration, the Agency of Education, and local adult education and literacy providers shall jointly submit a written report to the House Committee on Commerce and Economic Development; the Senate Committee on Economic Development, Housing and General Affairs; and the House and Senate Committees on Education and on Appropriations with recommendations to modernize adult education funding to ensure funds are equitably distributed across all regions of the State, including recommendations for updates to the statutes and rules that govern the adult education funding formula. The Agency of Administration shall call and facilitate not fewer than five meetings with the Agency of Education and local adult education and literacy providers to develop the recommendations in the report.

Executive Summary

The Agency of Administration convened five meetings in late summer / early fall of 2025 between local adult education and literacy (AEL) providers, representatives from the Agency of Education, Department of Labor, the Vermont Migrant Education Program, World Learning Inc., and the State Refugee Office.

Points of Consensus between AEL Providers:

Funding Formula

- **The current formula in 16 V.S.A. § 4011(f)¹, (26% of the base education amount for the two-year average of students that complete AEL diagnostic testing) is currently appropriate for determining total AEL funding statewide**, provided the total appropriation does not significantly decrease in the future.
- To the extent that there are differences between their funding allocation methodologies, **statutory language supersedes State Board of Education rule.**
- **The formula to allocate AEL funding should be distinct from the formula that determines total AEL funding:**
 - Counties are the most logical geographic unit for the distribution of AEL funds.
 - In order to support regional operations and promote geographic equity, **the funding allocation formula should include a base payment per county of \$80,000.**
 - **The remainder of the funding should be distributed based on a measure (or measures) of students served.** The majority of this distribution should be based on the number of students that complete AEL diagnostic testing in each county.

¹ As amended by 2025 Act 27 Sec. E.504.2

Act 73 / Act 27 Technical Correction

Provided certain conditions are met, effective July 1st 2028, 2025 Act 73 Sec. 36 amends 16 V.S.A. § 4011(f) by replacing “base education amount” with “categorical base education amount.” These changes restate a version of 16 V.S.A. § 4011(f) that is inconsistent with amendments made to that statute in 2025 Act 27 Sec. E.504.2, which specify that the calculation be based on the average of the two most recently completed fiscal years. **Before 2025 Act 73 Sec. 36 takes effect, a technical correction will be needed to ensure consistency with 16 V.S.A. § 4011(f) as amended by 2025 Act 27 Sec. E.504.2.**

Differing Perspectives:

How to allocate funding remaining after \$80,000 base payments to each county:

- Based solely on the 2-year average number of students having completed diagnostic testing (Vermont Adult Learning, Central Vermont Adult Education, The Tutorial Center).
- 75% based on the 2-year average of students having completed diagnostic testing, 25% based on the 2-year average number of student-hours per county (Northeast Kingdom Learning Services)

The Agency of Education AOE acknowledges the disruption caused by the change from SBE Rule to § 4011(f) for distributing funds for FY26 and asserts that the same level of disruption would be created if we change how we distribute State AEL funds during the current 3-year AEL grant period. The AOE is concerned that any model of funding that includes a base amount per county could quickly become outdated and would not truly modernize the funding formula. AOE recommends further study, similar to how the state studied the public school system before recommending changes for education transformation to the legislature. For the remainder of the current 3-year grant period, AOE recommends State AEL grant funds be allocated to providers in the same proportions they were allocated under 2025 Act 27.

Points of consensus and differing perspectives are described in further detail below.

Context

Vermont’s Adult Education and Literacy (AEL) program is authorized under Title II of the federal Workforce Innovation and Opportunity Act (WIOA) of 2014. In order to be eligible for AEL services, an individual must be 16 years of age or older, not enrolled in secondary school, and either be basic skills deficient, not have a secondary school diploma or its recognized equivalent, or be an English language learner. An average of 2,070 students annually were served in an AEL program in fiscal years 2017 through 2025.

Prior to fiscal year 2026, Adult Education & Literacy funds were distributed using a formula established in State Board of Education (SBE) Rule Series 2400 from the 1990s, which provides a \$30,000 base payment to each county and allocates the remaining funds as follows:

Percentage Allocation	70% of Total Funding: Statewide percentage in the county of...	30% of Total Funding: County's density of...
15%	Unemployed or underemployed persons without a high school diploma.	
50%	Persons who are 16 years of age or older, not enrolled in school, and without a high school diploma.	
20%	Persons living at 125% of poverty.	
15%	Persons in the categories of offenders, mothers without high school diplomas and persons for whom English is a second language.	

Participants identified as challenges this formula's complexity and reliance on county-based federal census data, which is not updated on an annual basis. All local AEL providers, including those that historically received higher per-student funding under the SBE formula, agreed that it was not an equitable distribution of funds.

Under WIOA, the State must competitively grant AEL grant funding. In the most recent grant application, issued in spring 2025, the Agency of Education allocated funds based on the recently updated statutory formula in 16 V.S.A. § 4011(f), which supersedes the SBE rules. Under 16 V.S.A. § 4011(f), funds would be allocated at an equal rate per student. This change from historical practice came as a surprise to incumbent AEL providers and created operational challenges for those which had benefited from higher per-student allocations under the old formula. Following testimony from providers during the 2025 legislative session, 2025 Act 27 (the FY26 Budget) allocated AEL funding to the four selected providers based on the average of the former SBE formula and the equal per-student allocation required by 16 V.S.A. § 4011(f). The bill also called for the meetings and process that led to this report.

Future AEL funding levels and program requirements at the federal level are unclear at this time. While a larger examination of the structure of state-funded AEL may be needed in the event that federal funding is eliminated, this report's focus is on the allocation of funds in the program as it currently exists.

Findings and Recommendations

The group met five times (9/4, 9/16, 10/3, 10/20, 11/13) from September through November of 2025. The first meetings focused on the history of AEL and its funding in Vermont, examples of AEL funding distributions in other states, and on identifying high-level principles to guide the work. The group identified **simplicity, transparency, predictability, and equity** as critical guiding principles for the development of a new formula. There was also universal consensus on the importance of centering students at the heart of the discussion.

Subsequent meetings focused on discussing the components of a future funding formula. Incumbent providers brought forward several funding proposals for consideration. Representatives from the Agency of Education did not present or advocate for a specific funding formula during the first four meetings but articulated the intention to listen to proposals being

discussed and provide clarifying data when helpful. Consensus was reached between incumbent providers on the following points:

- **The current formula in 16 V.S.A. § 4011(f)², (26% of the base education amount for the two-year average of students that complete AEL diagnostic testing) is currently appropriate for determining total AEL funding statewide**, provided the total appropriation does not significantly decrease in the future.
- **Any funding formula codified in statute supersedes SBE rules.**
- **The formula to allocate AEL funding should be distinct from the formula that determines total AEL funding:**
 - Counties are the most logical geographic unit for the distribution of AEL funds.
 - The formula should contain a county base funding amount sufficient to operate a center with one partial FTE staff.
 - In order to support regional operations and promote geographic equity, **the funding allocation formula should include a base payment per county of \$80,000.**
 - The formula should be simpler than the previous formula established in SBE rules and should not rely on federal census data that may not be updated every year.
 - **The remainder of the funding should be distributed based on a measure (or measures) of students served.** The group agreed that the bulk of this distribution should be based on the number of students that complete AEL diagnostic testing in each county.

The group did not reach consensus on whether the formula should contain additional measures beyond the count of students having completed the diagnostic portion of the program.

Members of the Adult Education and Literacy Network (AELN)—which includes **Vermont Adult Learning, Central Vermont Adult Education, and The Tutorial Center**—support **allocating** the funding remaining after \$80,000 base payments are made to each county **based solely on the 2-year average number of students having completed diagnostic testing**. They cite the simplicity, predictability and transparency of this formula, and believe that the introduction of additional metrics to drive allocations could be arbitrary and less predictable. They hold that changes in distribution based on other student population metrics roughly balance out over time and are accurately captured in the overall student count above. They observe that overall student count has been a steady feature of the AEL granting performance and evaluation landscape for some time and that accountability measures are captured through AOE's grant monitoring process.

Northeast Kingdom Learning Services (NEKLS) supports allocating the funding remaining after \$80,000 base payments are made to each county **as follows: 75% based on the 2-year**

² As amended by 2025 Act 27 Sec. E.504.2

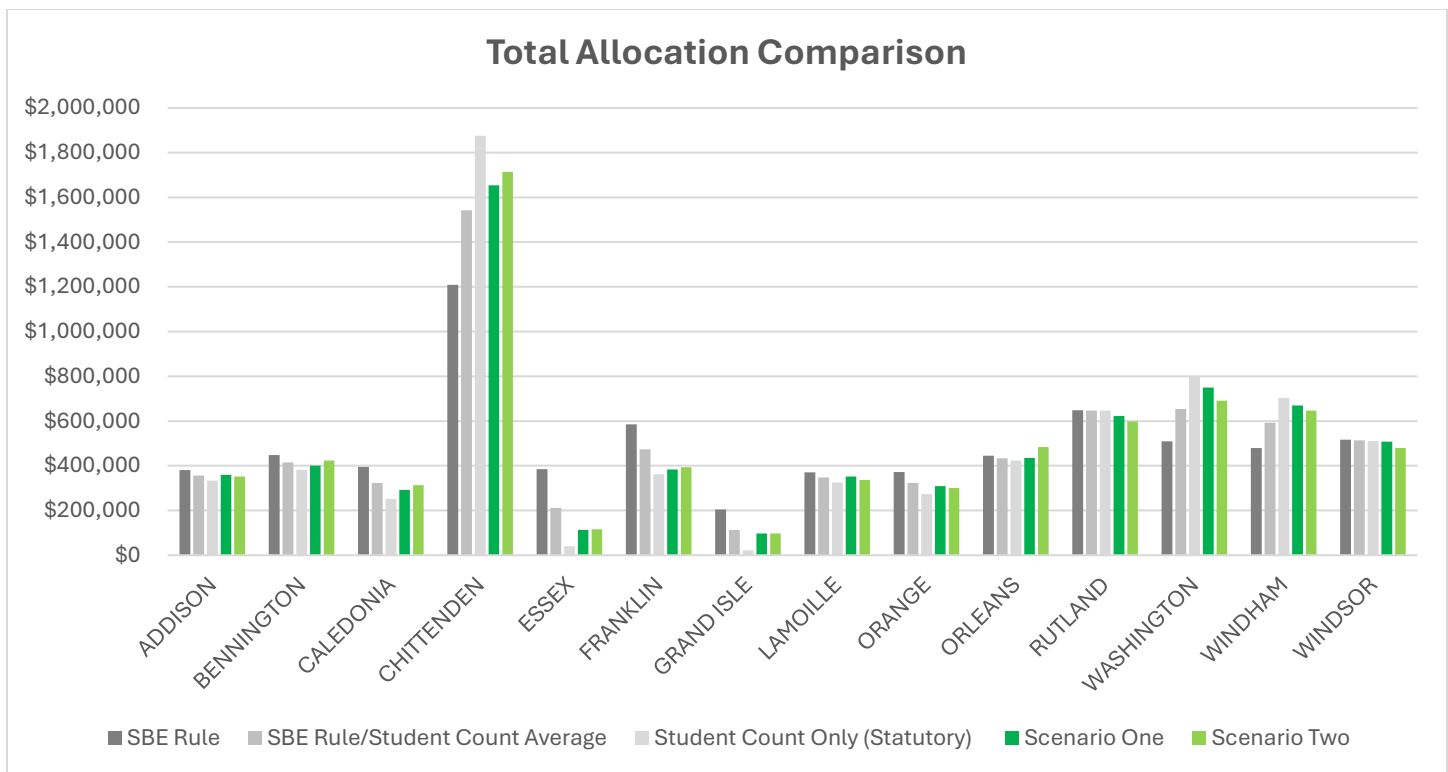
average of students having completed diagnostic testing, 25% based on the 2-year average number of student-hours per county. NEKLS shared the concern that an allocation based solely on tested student counts fails to accurately capture differing levels of student engagement and the corresponding cost differentials. A student that engages with a provider for 100 hours costs more to serve than a student that engages for 10, for instance. NEKLS suggested that including student-hours in the funding formula could help support high-quality instruction. Other providers observe that student hours are individually driven and do not necessarily correlate with outcomes. If student hours are incorporated into a funding formula, that data may require additional review to ensure validity.

The Agency of Education recommends further study to evaluate the AEL program and make recommendations to modernize program delivery and funding. A study could include a data analysis of performance and consider strategies that address uncertainties of future funding at the federal and state level. Through this evaluative process, expertise could be leveraged to align the modernization of the AEL program in Vermont with the statewide education transformation process that is underway per Act 73. Data analysis will include a review of the performance of AEL services in other states, per pupil spending and outcomes.

In the interim, the AOE could meet its obligation to stabilize funding to the AEL providers for the remainder of the 3-year grant period by implementing the strategy for distributing State funds as outlined in 2025 Act 27 Sec. E.504.3(c). Federal funds, which represent roughly 10% of overall AEL grant funding, must be disbursed per the AOE's Request for Proposals that was released in February 2025. Four AEL providers were awarded funds according to this competitive process for the grant period of FY26-FY28. The AOE recommends distributing the State AEL grant funds for FY27 and FY28 to the AEL providers using the same percentages of State funding mandated in Act 27 for FY26 as follows:

- Central Vermont Adult Education – 20.02%
- Northeast Kingdom Learning Center – 13.5%
- The Tutorial Center – 6.08%
- Vermont Adult Learning – 60.4%

Further study could inform the AEL grant competition to be held in Spring of 2028 for the grant period beginning July 1, 2028 (FY29), including how the funds would be distributed to AEL providers.

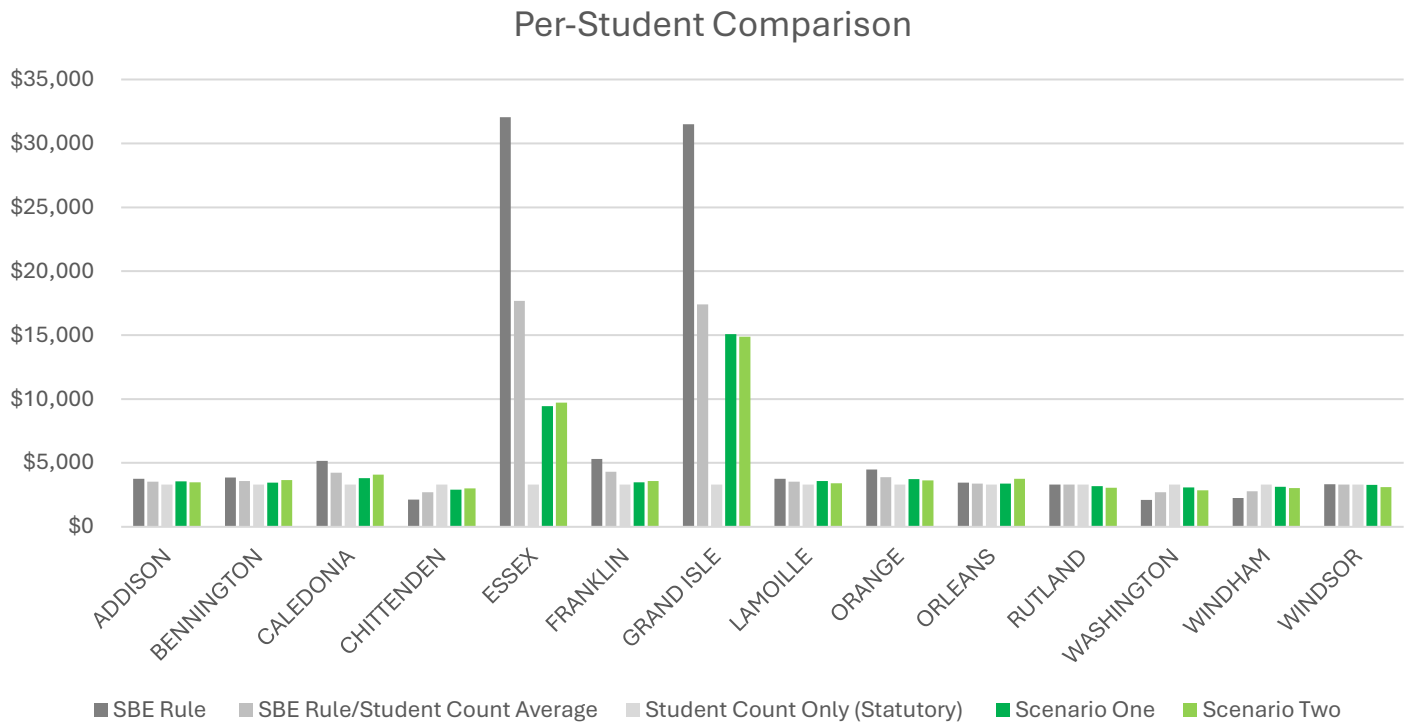


The above graph illustrates the two scenarios proposed by providers (in green):

- Scenario 1 (AELN providers' preference) allocates an \$80,000 base to each county. Remaining funding is distributed based on the average count of students having completed the diagnostic portion of the program in the two most recently completed fiscal years.
- Scenario 2 (NEKLS' preference) allocates an \$80,000 base to each county. 75% of the remaining funding is distributed based on the average count of students having completed the diagnostic portion of the program in the two most recently completed fiscal years. The remaining 25% is allocated based on the percentage of student hours.

The chart above is for demonstration purposes only. All allocations above utilize the FY26 base education amount and FY24-25 student count/student hours data to calculate a consistent statewide total. The FY27 total will differ based on the updated base education amount. The "SBE Rule" series allocates total funding based on the FY26 SBE formula allocation of need percentages. The "SBE Rule/Student Count Average" series represents the average between the "SBE Rule" series and "Student Count Only" series, consistent with the methodology used to calculate the allocations in Act 27 of 2025.

The graph below illustrates the same scenarios on a per-student basis, where "student" is the average count of students having completed the diagnostic portion of the program in the two most recently completed fiscal years.



Recommended Draft Language

16 V.S.A. § 4011(f) currently reads as follows:

Annually, the Secretary shall pay to a local adult education and literacy provider, as defined in section 942 of this title, that provides an adult education and secondary credential program an amount equal to 26 percent of the base education amount for each student who completes the diagnostic portions of the adult education and secondary credential program, based on an average of the previous two completed fiscal years. Forty percent of the payment required under this subsection shall be from State funds appropriated from the Education Fund and 60 percent of the payment required under this subsection shall be from State funds appropriated from the General Fund.

The language modifications below would differentiate the calculation to determine the total appropriation statewide from the formula used to allocate funds:

(f)(1) Annually, the ~~Secretary shall pay to a~~ total appropriation to be allocated among local adult education and literacy providers, as defined in section 942 of this title, that provides an adult education and secondary credential program, ~~shall be~~ shall be an amount equal to 26 percent of the base education amount for each student who completes the diagnostic portions of the adult education and secondary credential program, based on an average of the previous two completed fiscal years. Forty percent of the ~~payment~~ payment appropriation

required under this subsection shall be from State funds appropriated from the Education Fund and 60 percent of the ~~payment-appropriation~~ required under this subsection shall be from State funds appropriated from the General Fund.

The following are two statutory additions that would implement either funding formula Scenario 1 or Scenario 2 described above.

Scenario 1 Language [*\$80,000 base + two-year average student count*]:

(2) Of the total funding described in subsection (f)(1), the Secretary shall pay to a local adult education and literacy provider that provides an adult education and secondary credential program, for each county in which the provider provides adult education and secondary credential services:

(A) A base amount of \$80,000, and;

(B) An amount equal to the multiplication of:

(i) The total appropriation calculated in subsection (f)(1) minus \$1,120,000, and;

(ii) The ratio of the average number of students in that county that have completed the diagnostic portion of the adult education and secondary credential program over the previous two completed fiscal years to the average number of students statewide that have completed the diagnostic portion of the adult education and secondary credential program statewide over the previous two completed fiscal years.

Scenario 2 Language [*\$80,000 base + 70% two-year average student count and 30% two-year average student hours*]:

(2) Of the total funding described in subsection (f)(1), the Secretary shall pay to a local adult education and literacy provider that provides an adult education and secondary credential program, for each county in which the provider provides adult education and secondary credential services:

(A) A base amount of \$80,000, and;

(B) An amount equal to the multiplication of:

(i) The total appropriation calculated in subsection (f)(1) minus \$1,120,000, and;

(ii) Seventy-five percent, and;

(iii) The ratio of the average number of students in that county that have completed the diagnostic portion of the adult education and secondary credential program over the previous two completed fiscal years to the average number of students statewide that have completed the diagnostic portion of the adult

education and secondary credential program statewide over the previous two completed fiscal years.

(C) An amount equal to the multiplication of:

(i) The total appropriation calculated in subsection (f)(1) minus \$1,120,000, and;

(ii) Twenty-five percent, and;

(iii) The ratio of the average number student-hours of instruction provided in that county over the previous two completed fiscal years to the average number of total student-hours of instruction provided statewide over the previous two completed fiscal years.