

Inflating Act 73's Foundation Formula

Senate Committee on Education

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Overview of Foundation Formulas



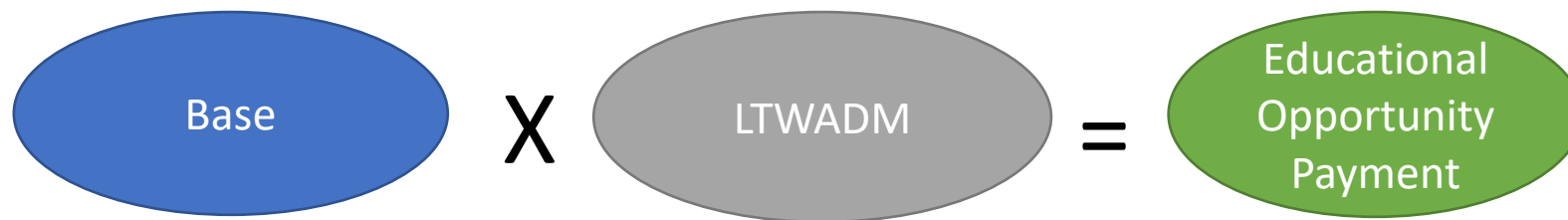
Remember...

- Long-Term Weighted Average Daily Membership (LTWADM) is the weighted student count that drives funding to a district in a foundation formula
 - Pupil weight abbreviations:
 - FPL: Federal Poverty Level – students experiencing economic disadvantage
 - EL: English Learner students
- Act 73 weights are additive



Foundation Formula Funding Calculation

- Broadly, foundation formulas apply a base and weights, typically based on students' characteristics, to a student population to determine funding to a school or district
 - Foundation funding is calculated as follows:



Overview of Act 73's Foundation Formula (As Enacted)

Contingently effective July 1, 2028



Act 73 As Enacted

- Base amount of \$15,033 per LTADM, adjusted annually for inflation
 - Student may also receive weights based on their demographics*
- Weights:
 - Weights are based on the Kolbe & Baker memo from April 3, 2025
 - Replaces special education census block grant with tiered weights
 - Act 73 implements small school and sparsity support grants**

Pupil Weighting Categories and Weights in Act 73

General Pupil Weighting Category	Specific Pupil Weighting Categories*	Weighting Amount
PreK student	Student enrolled in PreK	-0.54
English Learner (EL) <i>(Across levels, English language proficiency weights are mutually exclusive. Newcomer or SLIFE weights are additive to level weights.)</i>	English language proficiency – Level 1	2.11
	English language proficiency – Level 2 or 3	1.41
	English language proficiency – Level 4	1.20
	English language proficiency – Level 5 or 6	0.12
	Newcomer or SLIFE	0.42
Child with a disability <i>(Disability weights are mutually exclusive. Disability weights are applicable to students enrolled in grades kindergarten through 12.)</i>	Category A	0.79
	Category B	1.89
	Category C	2.49
Student from economically disadvantaged backgrounds	Family at or below 185 percent of Federal Poverty Level (FPL)	1.02

*Section 35 includes definitions for each of these specific weighting categories.

**Sparsity and small school support was previously provided as a weight. See next slide for further detail.

Note: for further detail on the memo, please visit https://ljfo.vermont.gov/assets/Subjects/H-454-As-recommended-by-House-Ways-and-Means-Draft-4-1/weighting-update-memo-to-JFO-revised-4_8_25.pdf



Act 73 As Enacted (continued)

- Act 73 implements small school and sparsity as support grants:
- Small school support grant criteria:
 1. Average enrollment over two years is fewer than 100 pupils
 2. Considered “small by necessity” (currently undefined)*
- Sparse school support grant criteria:
 1. In a city, town, or village with a population of fewer than 55 people per square mile
 2. Considered “sparse by necessity” (currently undefined)*

Support Grant Categories and Amounts in Act 73

Support Grant Category	Specific Support Grant Criteria	Grant Amount
Small School support grant	<ul style="list-style-type: none"> • School with fewer than 100 enrolled pupils (based on two-year average) • Is “small by necessity” 	\$3,157 per pupil (two-year average enrollment)
Sparse School support grant	<ul style="list-style-type: none"> • School is in a sparse location • Is “sparse by necessity” 	\$1,954 per pupil (two-year average enrollment)

*Both “small by necessity” and “sparse by necessity” need to be defined: <https://education.vermont.gov/sites/aoe/files/documents/SBE%20Small%20Sparse%20presentation.pdf>

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Act 73 Foundation Formula (As Enacted) If It Were Implemented in Fiscal Year 2026



Act 73 If It Were Implemented in Fiscal Year 2026

- If Act 73 changes were implemented in fiscal year 2026, the base and support grants would be increased by NIPA*
- Adjusted by NIPA, the fiscal year 2026 base amount would be **\$15,456** per LTWADM
 - Pupil weights are *not* adjusted by inflation
 - Recall, a district's EOP is largely determined by multiplying a district's LTWADM (district's LTADM plus pupil weights) by the base
 - Therefore, all else equal, as the base's increases, the district's EOP also increases
- School support grants in fiscal year 2026:
 - Sparse school support grant = **\$2,009**
 - Small school support grant = **\$3,246**

**National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investments*



Act 73 Foundation Formula Inflated by Senate Education Concept – Fiscal Year 2027



Act 73 Foundation Formula Inflated by Senate Education Concept – Fiscal Year 2027

- Senate Education's bill inflates the Act 73 base amount by the actual change in Education Spending from fiscal year 2025 to fiscal year 2027
- After fiscal year 2027, the new base amount would be increased using NIPA*, as in Act 73
- School support grants are not affected by this concept because they are not linked to the base



**National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investments*

Act 73 Foundation Formula Inflated by Senate Education Concept – Fiscal Year 2027

- Using Senate Education’s concept, the fiscal year 2027 base amount would be **\$16,575** per LTWADM
 - This is based on actual changes in Education Spending of 5.8% and 4.2% in fiscal years 2026 and 2027, respectively
- During the same timeframe, NIPA* is projected to increase by about 6%
 - The base amount under Act 73, using NIPA, is estimated to be \$15,936 in fiscal year 2027
- School support grants in fiscal year 2027:
 - Sparse school support grant = **\$2,071**
 - Small school support grant = **\$3,347**
 - *Note: these amounts are updated by NIPA* as they are not linked to the base*

*National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investments



Summary Tables

- Senate Education’s proposal would lead to a higher base amount
 - All else equal, this would result in school districts receiving a larger EOP
 - However, this would also require increased property taxes compared to Act 73
- School support grants are the same under Act 73 and the Senate Education proposal
 - Grants are updated by NIPA* as they are not linked to the base

Act 73, As Enacted			Senate Education Proposal		Senate Proposal vs. Act 73	
Fiscal Year	Cumulative NIPA* Inflator	Base Amount	Cumulative Senate Ed Inflator	Base Amount	\$ Difference Vs. Act 73 Base	% Difference Vs. Act 73 Base
2025	0%	\$15,033	0%	\$15,033	\$0	0.0%
2027	6.0%	\$15,936	10.3%	\$16,575	\$639	4.0%

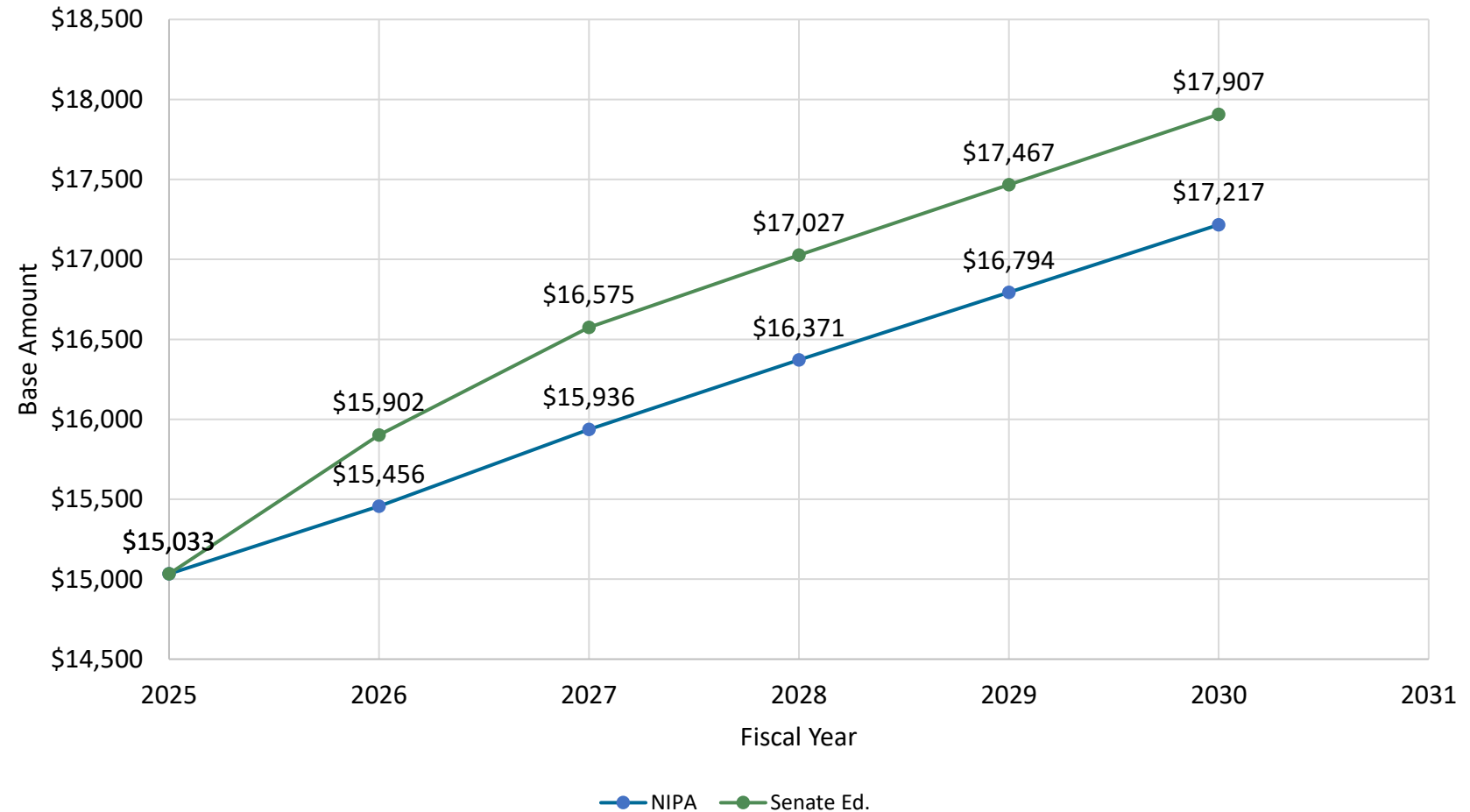
*National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investments



Graph of Growth

- Using a different inflator for the first two years would result in a higher foundation formula base compared to Act 73
- The graph illustrates the difference between:
 - inflating by only NIPA
 - inflating by actual change in Education Spending before using NIPA in fiscal year 2027
- This analysis uses estimated change in NIPA in future years; this could change

Est. Senate Education Base vs. Act 73's Base, FY2025-2030



*National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investments



Data Considerations

- NIPA growth in future years is based on estimates provided by State economists
 - Any changes to this estimate in future years would alter this analysis
- JFO modeling were made using Education Spending data from fiscal year 2027 as of March 20, 2026
 - Some district budgets are still preliminary, which may lead to a change in analysis
- Sparse and small school support grants are still only adjusted by NIPA



Questions?

