

# An Overview of Foundation Formulas

Senate Committee on Finance

Ezra Holben, Fiscal Analyst, Joint Fiscal Office

May 7, 2025



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations



# Remember...

- The fiscal year 2025 Education Payment is \$1.88 billion
- 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
    - SpEd: Special Education students
- The modeling presented today uses various weights to generate a funding amount under
  - *either* Current Law
  - *or* hypothetical consolidated districts



# Overview of Foundation Formulas



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

# Foundation Formula Funding Calculation

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



# Two models used throughout policy discussions

- Adjusted Evidence-based Approach
  - “assumes a **different governance structure and operational practices than what is currently in place in the state**. School and district adjustments are applied to the base amount to account differences between settings, including to address existing school sizes.”
- Education Cost function modeling approach
  - “spending necessary to provide an adequate education, *assuming Vermont’s existing governance structure and scale.*”
- Because of these differences, “**the base spending amounts are not directly comparable.**”

Note: [https://ljfo.vermont.gov/assets/Subjects/H-454-As-recommended-by-House-Ways-and-Means-Draft-4-1/clarification-memo-APA-and-UVM-4\\_25\\_25a.pdf](https://ljfo.vermont.gov/assets/Subjects/H-454-As-recommended-by-House-Ways-and-Means-Draft-4-1/clarification-memo-APA-and-UVM-4_25_25a.pdf)



# Overview of the Administration's Proposal



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

# The Governor's Proposed Base

- Governor's base amount uses an adjusted Picus Odden Evidence Based (EB) Model
  - Picus Odden model: “link strategies and resources in high-performance schools to state school funding formulas...”, and “relies on a school improvement model that allocates resources for educational strategies that... are linked to improvements in student learning”\*
  - EB base amount is built off an identified set of resources (both personnel and non-personnel) in prototype schools
- Picus Odden most recent report: 2024
- Augenblick, Palaich and Associates (APA) adjusted this work

\* Source: Allan Odden & Lawrence O. Picus, page 8, “An Evidence-Based Approach to Identifying an Adequate Education Spending Level in Vermont.” (2024).





# The Administration's "Adjusted EB Model" (1/31/25)

- Calculated base using adjusted EB model
- Weights
  - Continues Current Law weight categories (FPL, EL, EEE, and Sparsity) to be used in a foundation formula, with changes to some of the weights
  - Introduces a CTE weight and updates the Small School weight to a variable formula
- Other policies include:
  - SpEd maintained as an increased census block grant
  - Transportation reimbursed 100% (up from current law 50%)
  - Universal School Meals (USM) eliminated

Base + Weight Categories	Base and Weights Proposed by the Governor
Base	\$13,200
FPL	0.75
EL	1.50
EEE	-0.54
Grades 6-8	0.00
Grades 9-12	0.00
CTE	1.30
Small school, 1-450	Variable
Sparsity, <36 people per sq mile	0.15
Sparsity, 36 to <55 people per sq mile	0.12
Sparsity, 55 to <100 people per sq mile	0.07
<b>Total LTWADM Generated</b>	126,086
<b>Total Funding Generated</b>	<b>\$1,664,337,564</b>

Note: memo from the Agency of Education (AOE) regarding the model can be found at the following link:

<https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Ways%20and%20Means/Bills/H.454/Education%20Finance/W~Zoie%20Saunders~Education%20Transformation%20Proposal%20-%20%20Foundation%20Formula%20Explained~1-31-2025.pdf>



# Overview of the As Passed by the House Foundation Formula



# Underlying Assumptions

- Modeling performed by Drs. Kolbe and Baker using the Education Cost-Function method
- “Education Cost-Function base cost is spending necessary to provide an adequate education, assuming Vermont’s existing governance structure and scale.”



# H.454 As Passed by the House

- Base and weights were calculated using education cost function modeling
- Weights:
  - April 3, 2025 Kolbe Baker memo
  - The H.454 implements Small School and Sparsity as grants\*\*
  - Special Education weights are *not* included due to data privacy
- Other policies
  - Small School grant only applicable to a school “small by necessity”, which for modeling purposes is a school within a sparse (<55 people) district
    - The policy definition of “small by necessity” has yet to be determined

Base + Weight Categories	H.454 As Passed by the House
Base	\$15,033
FPL	1.02
EL	1.39*
Grades 6-8	0
Grades 9-12	0
Small school, <100	**
Small school, 101-250	0
Sparsity, <36 people per sq mile	**
Sparsity, 36 to <55 people per sq mile	**
Sparsity, 55 to <100 people per sq mile	0
<b>Total LTWADM Generated</b>	<b>122,955</b>
<b>Total Funding Generated***</b>	<b><u>\$1,914,755,697</u></b>

\*H.454 As Passed includes tiered EL weights; EL is modeled here using the single weight in the Kolbe & Baker memo due to data privacy.

\*\*\*Total is as presented in House Ways and Means 4/8/25

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](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)



JFO

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

12

# Overview of the Administration's “Enhanced EB” Foundation Formula



# Administration's "Enhanced EB Model" (5/1/25)

- The "Enhanced EB" makes the following changes to the "Adjusted EB" model:
  - Weights
    - Maintains the FPL weight (Economically Disadvantaged)
    - Adds additional weights for grade levels
      - (Grades 6-8, 0.02; grades 9-12, 0.10)
    - Reduces the weight for EL, Career and Technical Education (CTE), and adjusts the school size weight to restrict eligibility
    - Eliminates sparsity weight
  - School size formula revised
- Other policies:
  - SpEd would be maintained as an increased census block grant
  - Transportation would be reimbursed 100% (up from current law 50%)
  - Essential Early Education (EEE) categorical aid eliminated

**Table 1: Summary of Enhanced EB Base and Weights**

<b>Base</b>	<b>\$14,683</b>
<b>Weights</b>	
Economically Disadvantaged	0.75
English Learners (EL)	1.40
College and Career Readiness, Grades 6-8	0.02
College and Career Readiness, Grades- 9-12	0.10
CTE Centers	1.00
<b>School Size</b>	
Less than 100 students	0.21
100-249 students	Gradually decrease weight from 0.21 to 0.0 using this formula: $(-0.0021 * enrollment) + 0.4158$
250 students and above	No size adjustment

Note: the memo from AOE that corresponds with this table and regarding the model can be found at the following link:

<https://legislature.vermont.gov/Documents/2026/Workgroups/Senate%20Education/Bills/H.454/Witness%20Documents/H.454~Zoie%20Saunders~Enhanced%20Evidence%20Based%20Model~5-1-2025.pdf>



# Overview of the As Recommended by Senate Education Foundation Formula



# Underlying Assumptions

- The modeling uses fiscal year 2025 data and Current Law districts
- Models were built to hold the total education payment at the fiscal year 2025 level
  - In fiscal year 2025, the education payment was \$1.88 billion





# As Recommended by Senate Education

- Maintains APA's weights from the "Enhanced EB Model" with the following changes:
  - FPL increased to 1.02 weight
  - No CTE weight
  - Small school weight is restricted to schools with fewer than 100 pupils in a district with sparsity <55
  - Returns the Small school weight to a flat rate (i.e., not a variable formula)
  - Grade weights maintained
- Modeled to generate a base that holds the Education Payment level with fiscal year 2025 (\$1.88 billion).
  - Weights are applied to current law districts

Base + Weight Categories	APA weights but increased FPL, applied to Current law districts, with CTE and variable small schools weight removed
Base	\$14,870
FPL	1.02
EL	1.40
EEE	0.00
Grades 6-8	0.02
Grades 9-12	0.10
Small school, <100	0.21
Small school, 101-250	0.00
Sparsity, <36 people per sq mile	0.00
Sparsity, 36 to <55 people per sq mile	0.00
Sparsity, 55 to <100 people per sq mile	0.00
CTE	0.00
<b>Total LTWADM Generated</b>	<b>126,433</b>
<b>Total Funding Generated</b>	<b>\$1,880,056,694</b>



# Considerations

- These estimates only reflect how different *base and weight* decisions would affect funding under their proposals
  - Other policy considerations that are integral to the implementation of these proposals are not fully discussed here
- Different district configurations would result in different estimates
- These tables only consider the Education Opportunity Payment
- These tables do not include supplemental district spending or categorical aid
  - Supplemental district spending would likely have impacts on the Education Fund and property tax rates



# Questions?

