



Testimony to Senate Finance Committee

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Good afternoon. Thank you, Chair Cummings, for the opportunity to testify today, and thank you as well to each of the members of this committee for your thoughtful efforts.

My name is Jeanne Albert. I live in Lincoln and serve as Chair of the Lincoln School District Board. I am a life-long educator and retired professor of mathematics, most recently at Middlebury, where I also worked for over a decade as the Director of Quantitative Support in the College's Center for Teaching, Learning, and Research.

**RSCA advocates for the importance of rural community public schools and for a democratic voice in decision-making about their future.** The rapid expansion of our newly-formed organization demonstrates that concern for the future of public education is alive and well in Vermont, and that folks in rural school districts across the state want their voices to be heard. *The Alliance celebrates this expression of civic activity, especially in a time when strengthening democratic engagement is as important as ever.*

My testimony today will focus on the following topics.

1. Education Funding: Foundation Formula

*RSCA can support moving to an education foundation formula, that:*

- **is grounded in robust research and uses Vermont-specific data, evidence, and community-based knowledge** in developing an appropriate education payment;
- **respects the state's geography and democratic traditions;** and
- **incorporates thoughtful contingency planning,** so that inevitable uncertainties can be met with appropriate flexibility and potentially harmful disruptions are avoided.

2. Education Tax Reform

• **We support providing immediate tax relief to Vermonters, as well as comprehensive, longer-term changes** that will make our education funding system more fair, transparent, and reflective of tax-payers' ability to pay.

• **If a foundation formula is adopted,** careful and thorough analysis of potential tax impacts on school districts must be performed, in order to avoid unintended adverse consequences.

3. Full Commitment to Brigham

**A foundation formula and accompanying tax system must be crafted with a full commitment to meeting the equity-of-opportunity requirements of Brigham.**

## 1. EDUCATION FUNDING: FOUNDATION FORMULA

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### Recommendations:

**Determination of a state payment must use Vermont-specific data, evidence, and community-based knowledge, and should respect the state's geography and democratic traditions.**

Moving to a foundation formula and state education payment in Vermont would represent a huge shift in how we manage and think about every element of education funding: including how budgets are developed and voted, who decides how resources are spent, and how education tax rates are determined, among many other factors.

The cost-based foundation formula currently under discussion appears to envision an initial state payment that is based on "current-state" per-pupil spending in Vermont. While the Alliance is pleased to see consideration of this approach, we also recognize that a cost-based formula will generate a payment per student that represents **average** cost. That is, according to a student's learning profile (e.g., English learner) as well as situational factors (economic disadvantage, sparsity/remoteness of community where they attend school) the formula estimates a funding amount for a "typical" student with these characteristics to achieve the academic outcomes that are assumed in the model. Clearly, such a payment will not necessarily reflect the particular needs of an individual student in a specific setting. However, if the formula is rigorously designed and based on actual cost, the district payment can provide a good **first estimate**.

**Combining a cost-based funding formula with Professional Judgement Panels could enhance both approaches.**

**The next important step in developing an appropriate education payment in Vermont will be to compare the district payments generated by the formula with actual current district spending patterns in the state, along with student outcomes and other relevant data.** Indeed, the large variation in current spending across districts is a significant motivation for consideration of such a major shift in our system: to ensure that state education resources are reaching and supporting all students. Understanding what is driving this variation in spending will be critical.

For example, **with respect to below-average spending districts:**

- (a) Which districts are choosing not to use all their tax capacity, and why not? What is the effect on support for students and student outcomes?
- (b) Are there districts that spend below average because they have specific strategies for being more efficient with resources, while still meeting the needs of students? What can we learn from them?

Similarly, **with respect to above-average spending districts:**

- (a) Are there districts that are not using their resources efficiently? How and why not? What is the effect on support for students and student outcomes?
- (b) Are there districts that use resources well and meet the needs of students, but choose to spend more, with community support? What can we learn from them?

For this second step in developing a state payment, the Alliance recommends using a version of **Professional Judgement Panels (PJPs)** to provide additional guidance in determining appropriate levels of district funding. We believe that this two-stage pairing of the cost-based foundation formula, followed by further analysis and recommendations by PJPs, enhances the best features of both approaches, and helps ensure that a state payment will support *actual* student needs and thereby provide appropriate funding to districts.

*While moving to a foundation formula has the potential to increase stability and transparency, and help ensure equitable allocation of resources, these laudable goals are at risk of being seriously undermined without careful analysis and review.*

**Implementation of a foundation formula should include careful contingency planning, so a range of uncertainties can be met with appropriate flexibility.**

By its nature, change is disruptive. We are encouraged by discussion of contingency-based approaches to address some of this disruption during a potential transition to a new state-payment education funding structure, including:

- regular base-payment inflator provisions for costs such as health care that are rising much faster than average and may not be captured sufficiently in inflation indexes; and
- transition parameters or benchmarks, rather than dates certain, to ensure that implementation timeline adjustments can be made, when needed.

## 2. EDUCATION TAX REFORM

### Recommendations:

**We support providing immediate tax relief to Vermonters, as well as comprehensive, longer-term changes that will make our education funding system more fair, transparent, and reflective of taxpayers' ability to pay.**

The Alliance has been reviewing H.454's **Homestead Exemption** proposal that would replace the current "income sensitized" property tax credit (PTC) system. While further review is needed (in particular, how the program will be funded) we consider the following to be positive elements:

- the "exemption" construct is simpler to understand than the PTC, and may be simpler to implement;
- it appears that this approach would remove the current "lag" in the PTC;
- the inclusion of more income categories may reduce impacts from harmful "tax cliffs; and
- as indicated by JFO analysis, the Committee version under consideration appears to provide more relief to Vermont taxpayers in the lowest income bands than the Governor's similar exemption model.

We are also monitoring income-based tax proposals recommended by Public Assets and others. Since property value is typically a less accurate way to determine ability to pay than income, we hope that an income-based approach remains on the table.

**If a foundation formula is adopted, careful and thorough analysis of potential tax impacts on school districts must be performed, in order to avoid unintended adverse consequences.**

### **Projected Homestead Taxes & Implications: Beyond “Winners and Losers”**

The foundation formula developed by Dr. Kolbe and colleagues (as well as variations) that are being discussed this legislative session produce a total statewide payment that is fairly close to total FY25 education spending, often by design. This means that it is possible to estimate changes in district funding and tax payments. Looking at districts that currently have spending that is above, below, or about average for the state provides useful insight about potentially unexpected outcomes.

For example, consider a district whose current spending per LTW-ADM is close to average for the state. While this district’s Homestead tax rate will likely change very little, the total education payment it would receive from the formula need not stay the same as its current education payment: **preliminary analysis shows there are districts in this category that can be expected to receive considerably more funding, and others considerably less funding.**

Meanwhile, although districts whose current spending per LTW-ADM is below average are likely to see an increase in their Homestead tax rate, some of these districts are projected to receive **less total funding**. Finally, some districts could face the opposite situation: they currently spend above average per LTW-ADM and are projected to have a decrease in their Homestead tax rate, but will nevertheless see an **increase in education dollars** under a foundation formula.

So, to summarize: in moving to a state payment for education, the dynamics with respect to tax rates and funding are complex— in some cases, unintuitive in ways that go beyond “winners and losers.” **The potential for some districts to experience a tax increase, yet receive less funding** overall; or to have their **taxes stay the same, yet receive significantly more or less funding**; or to have **a tax decrease yet receive the same or increased funding**— all this needs to be understood as fully as possible before moving forward.

Note, as well, that **moving to larger districts won’t “fix” this dynamic—it will just hide it.** As with development of a foundation formula, we urge a thoughtful approach that favors accuracy and understanding over speed and magnitude of change.

### **3. FULL COMMITMENT TO BRIGHAM**

**A foundation formula and accompanying tax system must be crafted with a full commitment to meeting the requirements of Brigham.**

Adopting a foundation formula approach to education funding would mean abandoning a system that has been in place for decades, that came about in response to severe inequities arising from both the structure and operation of Vermont’s prior funding scheme. Therefore, adopting a foundation formula will require sufficient evidence showing that the structure will “ensure substantial equality of educational opportunity throughout Vermont,” both by design and in practice.

At this time, RSCA is unable to assess whether a state payment that may eventually emerge will meet the *Brigham* standard. We are, however, encouraged by the focus on (1) an ample, data-determined base amount, and (2) rigorously determined pupil weights. As noted, using Professional Judgement Panels should provide additional confidence that an appropriate state payment will be developed.

However, for the reasons outlined below, we recommend that **the criterion for sparsity be calculated at the town level, not by district.**

Schools that are located in sparsely-populated areas are more likely to have increased costs that are not within a district's control. For example, in such regions it is less likely that specialized services or staffing will be locally available, thereby increasing the need for contracted services that tend to be more costly. Also, schools in sparsely populated areas that serve several surrounding communities– for example, regional high schools– will tend to have higher transportation costs, compared to schools in more densely populated areas (which may also have public transportation infrastructure.)

Our current education funding system includes (tax-capacity) pupil-weighting adjustments for sparsity that acknowledge these differences, as do the funding formulas in proposed legislation, and in both cases **the determination of sparsity is calculated at the district level.** This practice can lead to unintended, adverse outcomes

For example, a district may include schools that are the intended target for this additional funding, because they are located in sparsely populated towns. However, the district may also include enough higher-density towns so that the district *overall* does not meet the sparsity threshold. In this case, ***no pupils in the sparsely populated towns will receive the intended sparsity weight.*** Meanwhile, the reverse phenomenon could also occur. ***Whenever a district meets the sparsity threshold, pupils in all schools in the district would receive the sparsity weight,*** even if a school is clearly not the intended target because it is in a more densely populated area.

Therefore, **calculating sparsity at the district level can lead to unintended consequences in both directions, especially within larger districts.**

The better practice is to determine sparsity based on where a school is located *within* a district. See, for example, the April 3, 2025 memo (page 5), ***Updated cost estimates and recommended weights for a student-based funding formula in Vermont,*** (Kolbe & Baker), that references differences in cost “...between a Vermont school located in a community with fewer than 36 persons per square mile and a school in a community with fewer than 55 persons per square mile...” in discussing updates to the population density cost adjustment category.

**How district boundaries are drawn should not affect whether sparsity weights are applied to student enrollments and whether students across the state in sparsely populated areas are treated similarly.**

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Thank you again for the opportunity to provide testimony today. RSCA acknowledges and applauds your work– collectively and individually– to improve education funding and equity in Vermont. We urge you to continue this thoughtful work that draws on Vermont-specific data and recognizes its complexities.