VERMONT
SCHOOL BOARDS ASSOCIATION
Great Governance, Excellent Education, Strong Communities

To: Senate Finance Committee

From: Sue Ceglowski, Executive Director and General Counsel, VSBA

Re: S.220

Date: January 14, 2026

Thank you for the opportunity to provide feedback on S.220 on behalf of the Vermont School Boards Association (VSBA).

Across the state, school board members are currently engaged in the difficult work of developing fiscal year 2027 budgets that strive to deliver a high-quality education at a cost taxpayers can support. These budgets are being built in an environment of significant fiscal constraint. Boards are following superintendent recommendations to adjust staffing in response to declining enrollment where applicable, scrutinizing every line item, and seeking savings wherever possible.

At the same time, school boards remain responsible for advancing their districts' strategic goals—prioritizing student wellbeing, academic achievement, and efforts to narrow opportunity and achievement gaps. In short, boards are balancing fiscal restraint with their obligation to meet student needs.It is within this context that VSBA considers S.220.

The bill would impose a cap on school district spending for fiscal years 2028 and 2029 based on a district's prior-year spending. Such a cap may be useful to school boards in the context of collective bargaining for the future but many districts already have collective bargaining agreements in place for the next few fiscal years. And designing a transition cost suppression tool is difficult to do at this stage because we do not have the details on the structure and composition of new districts or modeling of the fiscal impacts of the foundation formula on new districts. It's difficult to design a transition cost suppression tool without that information.

While the goal of cost containment is understandable, this approach would affect districts very differently depending on their spending levels in the base year. For some districts, the proposed cap would necessitate significant reductions in personnel, directly impacting programs, services, and student opportunities. Other districts may experience far less impact. As a result, the bill may risk creating inequitable outcomes across the state.

VSBA shares the underlying goals of S.220. Stabilizing education costs and education property taxes is a central component of VSBA's 2026 legislative platform. However, rather than capping school district budgets broadly, VSBA believes more sustainable and equitable cost stabilization can be achieved through targeted reforms that address the primary drivers of education spending.

Specifically, VSBA recommends consideration and analysis of the following targeted caps as a more effective approach to cost containment:

- Capping the actuarial value of health benefits for public school employees;
- Capping the maximum rate of growth school boards may negotiate for salary increases; and
- Capping allowable growth in tuition charged by independent schools that receive public tuition payments.

Among these cost drivers, the rapid escalation of employee health care costs presents one of the most significant fiscal challenges facing Vermont school districts.

Health benefits for public school employees now exceed $300 million annually and have grown at a pace far exceeding inflation and state revenue growth. Premiums for the most commonly selected plan have increased by approximately 125 percent from FY18 to FY25, compared to a roughly 32 percent increase in the Consumer Price Index over the same period. If these trends continue, health care costs are projected to consume upwards of 20 percent of district budgets.

This trajectory is not sustainable. Rising health benefit costs directly limit local boards' ability to invest in classroom instruction, student supports, staffing stability, and facility maintenance. Every additional dollar absorbed by benefit growth is a dollar unavailable for students.

For these reasons, in addition to capping the overall value of health benefits, VSBA urges the Legislature to consider structural reforms to the system governing public school employee health benefits, including:

- Revising the structure and function of the Commission on Public School Employee Health Benefits to include independent, neutral members focused on problem-solving rather than adversarial negotiation;

- Requiring a single statewide Health Reimbursement Arrangement administrator to reduce unnecessary variation and administrative cost;

- Expanding arbitration criteria to include comparability to Vermont Health Connect plans and the broader economic impact of awards on education spending; and

- Allowing for blended arbitration outcomes rather than winner-take-all decisions.

Together, these reforms would help bend the curve of health benefit cost growth while preserving educational resources for students. They must be part of any serious education transformation discussion.

A House bill to be introduced shortly will provide detailed statutory language reflecting these proposed changes. I have also provided the Committee with a handout accompanying this testimony that further explains why addressing health benefit costs is critical to education affordability.

In closing, sustainable education transformation must address structural cost drivers—especially health care benefits. Without addressing cost drivers, reforms risk increasing costs, disrupting students and communities, and falling short of their intended outcomes. As S.220 pulls attention away from the core reforms envisioned under Act 73, there is a real risk that short-term policy responses will undermine long-term cost stability and equity. VSBA stands ready to work with the Committee to build on the Redistricting Task Force's recommendations and advance thoughtful reforms that protect students and taxpayers while ensuring a more stable, equitable and sustainable education finance system.