



Date: January 31, 2025

To: Senate Finance Committee

From: Chelsea Myers, Executive Director, Vermont Superintendents Association
Libby Bonesteel, Superintendent, Montpelier Roxbury Public Schools

Re: Response to the Governor's Budget and Education Proposal

Thank you for the opportunity to provide testimony on Governor Phil Scott's FY26 Budget Proposal.

The Vermont Superintendents Association (VSA) is closely examining how the Governor's budget and education reform proposals align with the pillars of equity, quality, and efficiency—values essential for ensuring success for all students. While superintendents agree that changes are needed to strengthen our education system, it remains to be seen how the Governor's plan will address the underlying cost drivers while maintaining educational quality.

Superintendents appreciate the Governor's effort to hold tax rates level as discussions about reform continue. This approach acknowledges that most FY26 school budgets are already set, with budget warnings finalized or in progress. Vermont's school leaders are working diligently to craft thoughtful budgets that balance educational quality with external cost pressures, including rising healthcare costs and infrastructure demands.

We noted that healthcare is not one of the four bills described in Governor Scott's address. With over 70% of education spending allocated to salaries and benefits—and healthcare rates rising 11.9% this year after a 16.4% increase last year—it is impossible to discuss education costs without addressing this significant factor. Any meaningful effort to reform Vermont's education system must include a strategy to manage healthcare costs effectively.

The Governor has repeatedly referenced the need to "right-size our school districts and our infrastructure." Vermont's immediate school facilities needs are estimated at \$228.6 million, with total infrastructure costs exceeding \$6.35 billion—figures the Agency of Education acknowledges are likely underestimated. Addressing these urgent needs is essential for any successful education reform effort.

In regards to district scale in Vermont, it is clear that we have some work to do. While the Governor's use of the superintendent's regional meeting structure for his proposed five school districts is flattering, it raises important questions about why he chose it. The superintendents formed these regions for monthly meetings, not as a framework for an efficient, effective statewide education system.

Research on district size generally paints a picture of benefits on a U-shaped curve. Studies indicate that smaller districts typically face higher per-pupil costs due to inefficiencies, such as

higher administrative costs and underutilized facilities. However, very large districts may encounter diseconomies of scale, where the benefits of increased size are outweighed by bureaucratic inefficiencies and challenges in maintaining educational quality. Duncombe and Yinger (2007) found that consolidating small districts can reduce per-pupil costs. Their research suggests that cost savings are most significant when small districts (those with fewer than 300 to 500 students) consolidate, but these savings diminish for larger districts. Andrews, Duncombe, and Yinger (2002) reviewed the literature on economies of size in education and concluded that cost savings may be substantial when small districts combine, but there is little evidence of sizable cost savings in large district consolidations. They suggest that the optimal district size for minimizing costs per pupil, while maintaining educational quality, appears to be in the 2,000 to 4,000 student range. They also find that diseconomies of scale may begin for districts above 15,000 students. A study conducted in Kansas stated that diseconomies of scale emerge at 10,000 students (Kansas State Legislature, 2018). While cost savings likely can be realized at the administrative level with greater economies of scale, that alone will not be sufficient.

Superintendents remain open to the discussion of a foundation funding formula, recognizing that the current weighted per-pupil spending range of \$10,000–\$18,000 is inequitable. While the Picus and Odden (2024) report offers a framework for adequacy based on staffing rules, it does not account for Vermont's unique vision for education, as reflected in the revised Education Quality Standards or existing laws, such as Multi-Tiered System of Supports (MTSS). Policymakers should be cautious about adopting a formula based solely on staffing models that do not align with Vermont's current educational landscape or future goals. Additionally, VSA remains concerned about ensuring adequate funding through economic and political fluctuations. Large-scale reform must be carefully sequenced and not change the funding system without simultaneously addressing the delivery system. Doing the same with less will only harm students.

Finally, VSA appreciates the inclusion of PCB mitigation funding in the budget. However, the proposed \$10 million is insufficient to meet statewide needs, potentially falling short of addressing North Country's needs alone. VSA strongly advocates for full remediation funding and a pause on further testing until a comprehensive facilities plan is developed and adequately funded.

Thank you for your time and consideration.