

Education Law and Education Funding

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Overview

- **Legal Context:** The Right to Education in Vermont
- **Vermont Education Funding Formula:** Overview of the current our funding system & comparison to other states

Legal Context

THE RIGHT TO EDUCATION IN VERMONT

The Right to Education in Vermont

The "Education Clause" of the Vermont Constitution, Chapter II, § 68

- The Education Clause provides that “a competent number of schools ought to be maintained in each town unless the general assembly permits other provisions for the convenient instruction of youth.”
- This provision, or a similar one, has existed since adoption of the first Vermont Constitution in 1777 (258). In fact, education is the only governmental service ever to have been included in the Vermont Constitution

State v. Brigham

166 Vt. 146 (1997)

In this case, the Vermont Supreme Court held that the State has a constitutional obligation to provide public education.

- “The state may delegate to local towns and cities the authority to finance and administer the schools within their borders; it cannot, however, abdicate the basic responsibility for education by passing it on to local governments, which are themselves creations of the state.”

State v. Brigham

166 Vt. 146 (1997)

- The Brigham Court held that the then-current education financing system, “with its substantial dependence on local property taxes and resultant wide disparities in revenues available to local school districts, deprive[d] children of an equal educational opportunity in violation” of Chapter II, § 68 and Chapter I, Article 7 of the Vermont Constitution.

State v. Brigham

166 Vt. 146 (1997)

- “The Court noted, however, that “absolute equality of funding is neither a necessary nor a practical requirement to satisfy the constitutional command of equal educational opportunity. ... [D]ifferences among school districts in terms of size, special education needs, transportation costs, and other factors will invariably create unavoidable differences in per-pupil expenditures. Equal opportunity does not necessarily require precisely equal per-capita expenditures, nor does it prohibit cities and towns from spending more on education if they choose, but it does not allow a system in which educational opportunity is necessarily a function of district wealth.”

Right to Educational Opportunity - 16 V.S.A. § 1

“The right to public education is integral to Vermont’s constitutional form of government and its guarantees of political and civil rights. Further, the right to education is fundamental for the success of Vermont’s children in a rapidly-changing society and global marketplace as well as for the State’s own economic and social prosperity. To keep Vermont’s democracy competitive and thriving, Vermont students must be afforded substantially equal access to a quality basic education. However, one of the strengths of Vermont’s education system lies in its rich diversity and the ability for each local school district to adapt its educational program to local needs and desires. Therefore, it is the policy of the State that all Vermont children will be afforded educational opportunities that are substantially equal although educational programs may vary from district to district.”

(Added 1997, No. 60, § 2, eff. June 26, 1997.)

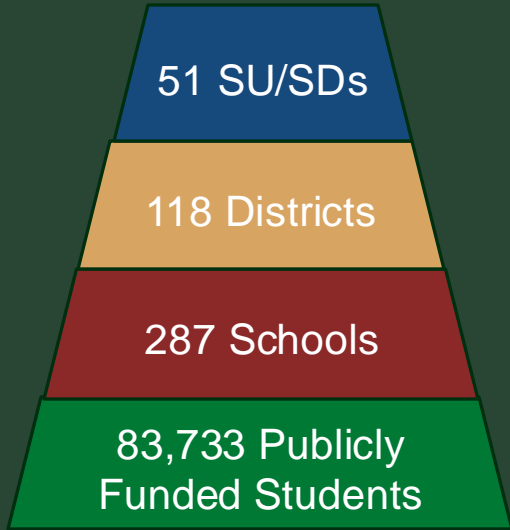
Statewide Standards

16 V.S.A. § 165

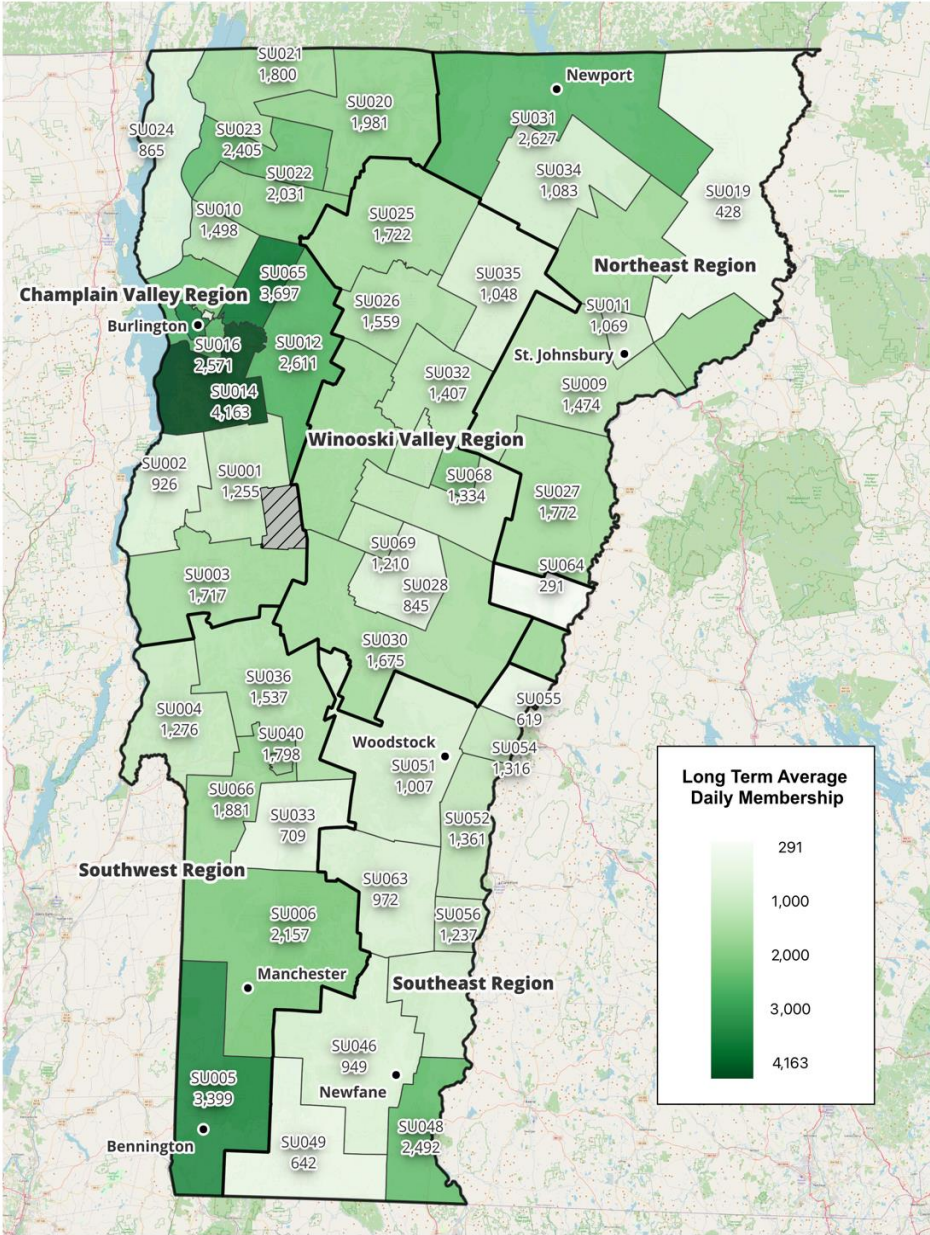
Education Quality Standards / School District Quality Standards

- “(a) In order to carry out Vermont’s policy that all Vermont children will be afforded educational opportunities that are substantially equal in quality, each Vermont public school, including each career technical center, shall meet the following education quality standards [SBE Rule 2000]”
- “(g) In addition . . . each Vermont school district shall meet the school district quality standards [AOE Rule 100] regarding the business, facilities management, and governance practices of school districts.”

2022-23 SY Long-Term ADM



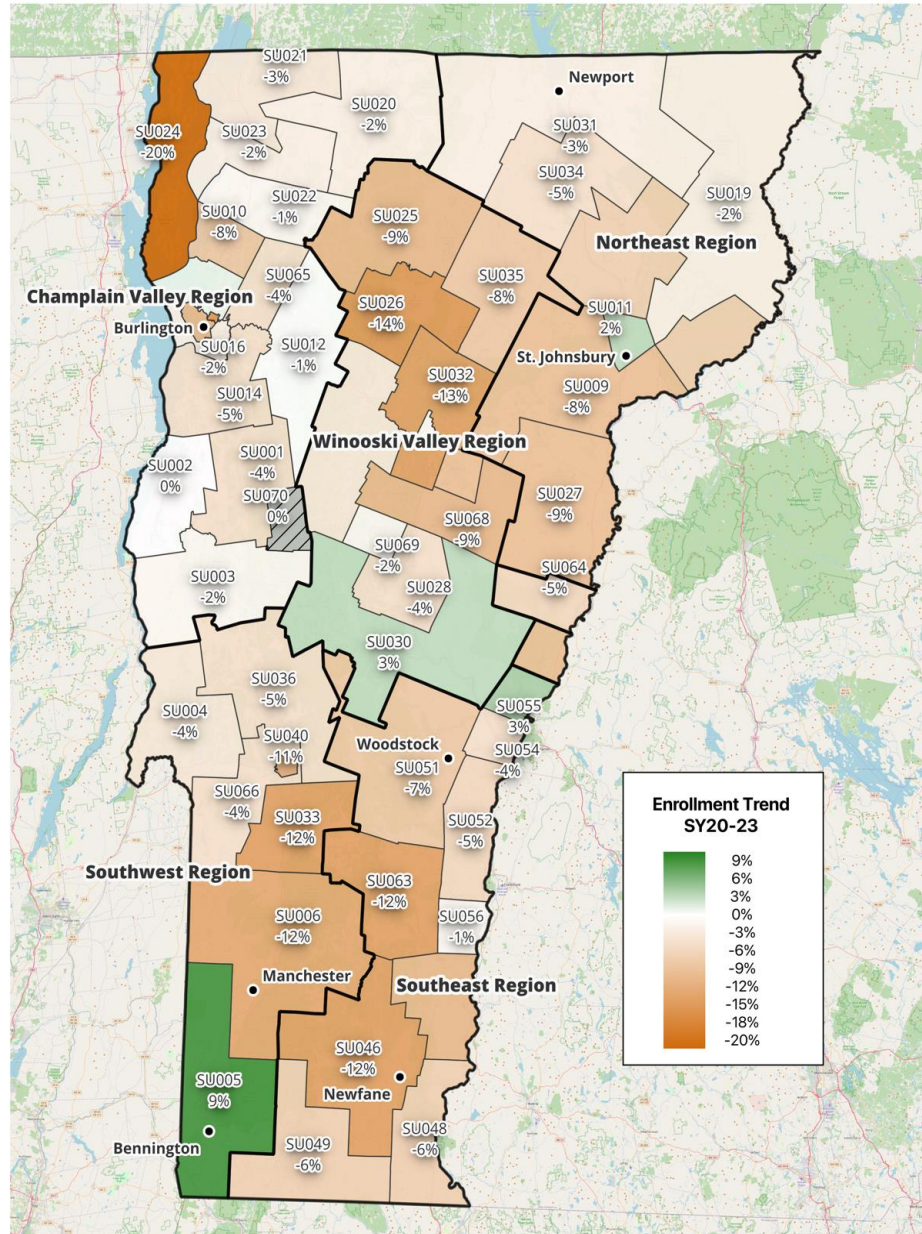
Long Term Average Daily Membership by SU (SY23)



SUNION	SU_name
SU001	Mt.Abraham
SU002	Addison NW
SU003	Addison Central
SU004	Slate Valley
SU005	SW Vermont
SU006	Bennington-Rutland
SU007	Colchester
SU009	Caledonia Central
SU010	Milton Town
SU011	St.Johnsbury
SU012	Mt.Mansfield
SU014	Champlain Valley
SU015	Burlington
SU016	S Burlington
SU017	Winooski
SU019	Essex N
SU020	Franklin NE
SU021	Missisquoi Valley
SU022	Franklin W
SU023	Maple Run
SU024	Grand Isle
SU025	Lamoille N
SU026	Lamoille S
SU027	Orange E
SU028	Orange SW
SU030	White River Valley
SU031	North Country
SU032	Washington Central
SU033	Mill River
SU034	Orleans Central
SU035	Orleans SW
SU036	Rutland NE
SU040	Rutland City
SU042	Harwood
SU046	Windham Central
SU047	Windham NE
SU048	Windham SE
SU049	Windham SW
SU051	Mountain Views
SU052	Windsor SE
SU054	Hartford
SU055	SAU #70
SU056	Springfield SD
SU061	Barre
SU063	Two Rivers
SU064	Rivendell Interstate
SU065	Essex Westford
SU066	Greater Rutland County
SU067	Kingdom East
SU068	Central Vermont
SU069	Montpelier Roxbury

4-Year Change in SU Enrollment (SY20-23)

4-Year Change in SU Enrollment (SY20-23)



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SU022	Franklin W
SU023	Maple Run
SU024	Grand Isle
SU025	Lamoille N
SU026	Lamoille S
SU027	Orange E
SU028	Orange SW
SU030	White River Valley
SU031	North Country
SU032	Washington Central
SU033	Mill River
SU034	Orleans Central
SU035	Orleans SW
SU036	Rutland NE
SU040	Rutland City
SU042	Harwood
SU046	Windham Central
SU047	Windham NE
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Vermont's Education Funding Formula

CURRENT FUNDING PROCESS

Vermont's Funding System

- **Unique and complex system** that is very different from other states
 - Designed to promote taxpayer capacity, but not to ensure similar resources for students with similar needs
 - In practice, lower income communities are not taking advantage of the taxpayer capacity, resulting in higher need districts spending less
- **Rational for new funding formula**
 - Build upon what Vermonters value most about the education system and expand our concept of an equitable funding system
 - Discard features of the funding system that may not work as intended or create confusion and frustration
 - Changes to the funding formula will require policy decisions about how to deliver a quality education and at what scale
 - Other constitutional mechanisms to comply with Brigham decision

Explaining the System

Commonly asked questions

- How is the amount of money provided to each district determined?
- Where does the money in the education fund come from?
- How is my education tax bill calculated and why do some people pay more than others?
- How is it possible for my tax bill to increase even if my local school district's reduced or barely grew?

How is the amount of money provided to each school district determined?

Answer: They receive what they request, subject to voter approval.



School System
Creates a Budget

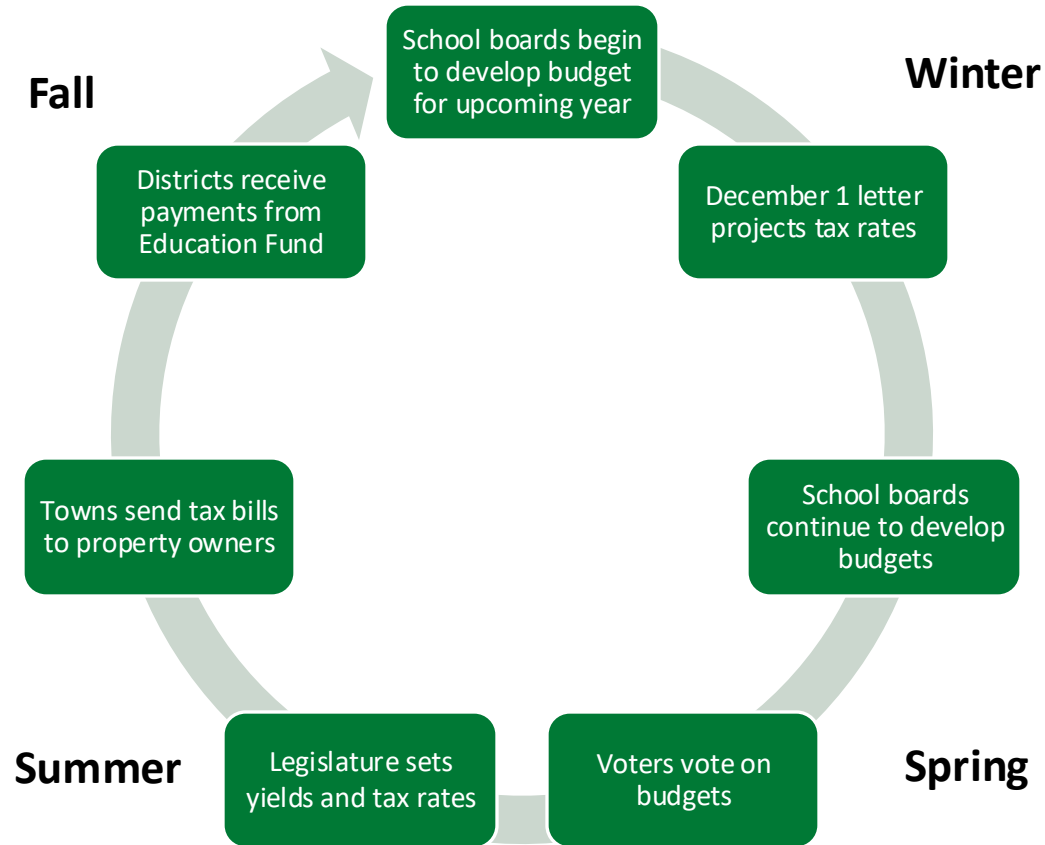


Voter Approval



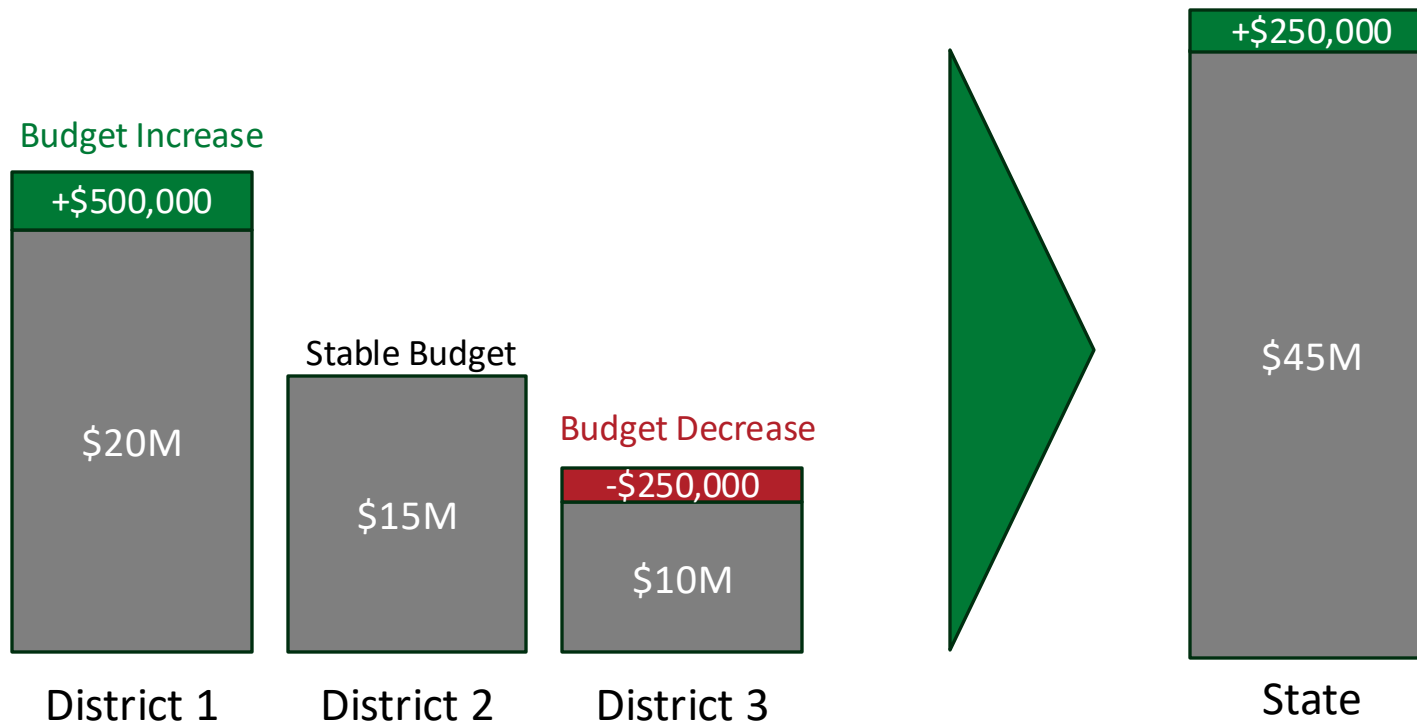
Guaranteed funding

Education Funding Timeline



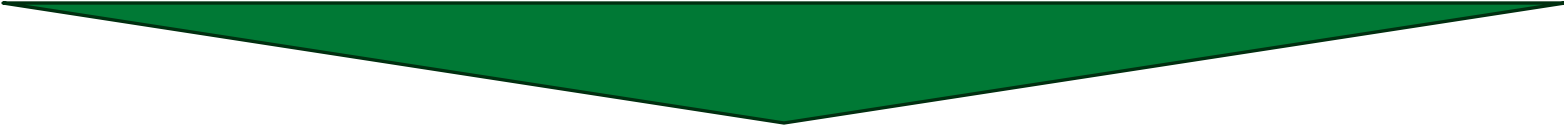
Local Budgeting in a Statewide Funding System

Since Vermont pools funding at the state level, higher spending in some districts can lead to higher statewide tax rates to cover the total statewide cost of education.



Equity and Budgets: How does student need impact budgets?

In an effort to increase equity, our current system allows schools that serve more students with higher needs (e.g. living in poverty, special education services, etc.) to spend more per pupil without triggering a great tax burden on the local community.



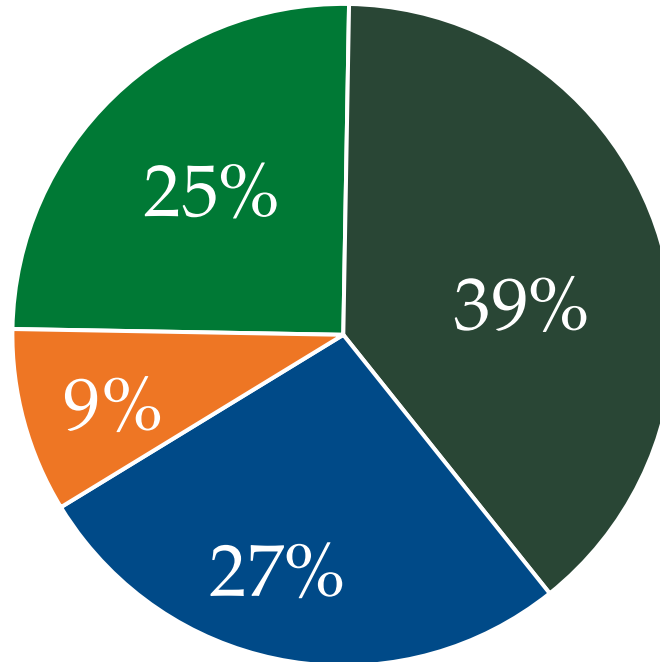
In theory, this makes it possible for schools that serve students with greater needs to have larger budgets, even when their communities might not otherwise be able to afford the extra spending.

How are Education Tax Rates Set?

- Total Education Fund expenditures include statewide aggregated Education Spending amounts from schools, and all other statewide Education Fund expenditures and programs.
 - Program costs include: universal school meals, transportation aid, small school support, and others.
- The Education Fund raises revenues to meet spending needs.
- It is funded by a variety of revenue sources, and property taxes are the “shock absorber.”
 - Property tax rates are set to raise whatever additional revenue is needed to pay for expenditures.
- The Legislature sets the nonhomestead tax rate as well as property yield and income yield each year.
- The yields are used to calculate homestead tax rates and tax rates for those who get a credit based on their income.

FY25 Education Fund Revenue Sources

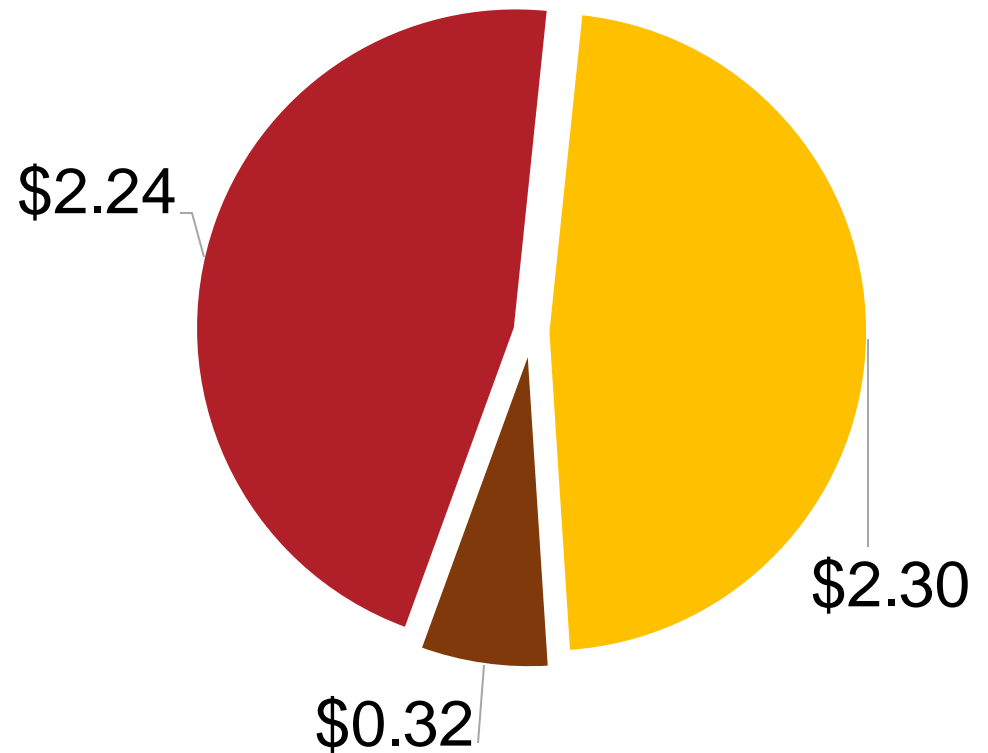
- Homestead Property
- Non-Homestead Property
- Sales and Use
- Other Sources*



*Other sources are: 25% of Meals & Rooms tax, 33% of the Purchase and Use tax, a new 3% surcharge on short term rentals, lottery proceeds, a Medicaid transfer, wind & solar, and fund interest

FY25 Total Revenue by Fund (Billions)

- Education Fund
- General Fund
- Transportation Fund



How Are Education Property Taxes Calculated?



Non-homestead Property
(i.e., anything that's not a homestead)



Homestead Property



Income (for homesteads)

*A single taxpayer can be exposed to multiple rates at the same time on the same property.

Common Level of Appraisal and Statewide Adjustment

- Because we have a statewide Education Fund, but not all towns reappraise property at the same time, there needs to be a mechanism to "equalize" assessments between towns to ensure each town is paying a fair share of education taxes
- This mechanism is called the "Common Level of Appraisal" or CLA, which gets applied to the tax rate
- Because Vermont's real estate market, the CLA has created a lot of frustration, confusion, and volatility for stakeholders
- Last year in Act 183, the Legislature created the "statewide adjustment," which means for FY26 and beyond town CLAs will be divided by the "statewide adjustment" (the statewide CLA) before applying to tax rates



Homestead Property

Example: 2024-2025 (FY25) property tax year

Per-pupil spending ÷ homestead property yield = District Rate

\$13,890 ÷ \$9,893 = \$1.4040

District Rate ÷ town CLA = Actual Rate

\$1.4040 ÷ 87.83% = \$1.5985

Tax on \$300,000 = \$1.5985 x \$3,000 = \$4,796



Income (homestead)

Roughly two thirds of homesteads receive a property tax credit towards their education property taxes based on their household income. The credit is calculated by the tax department then communicated to the towns and shows up on bills as a “State Payment”

$[FY25 \text{ Property Taxes}] - [FY24 \text{ credit}] = \text{Net FY25 Tax Due}$

Credits are “lagged” meaning they are based on prior calendar year household income and property tax amounts from the prior year



Property Tax Credit (PTC) Calculation

Household with \$75k in 2024 income and \$300K housesite value

$$\begin{array}{rclclcl} \text{Per-pupil spending} & \div & \text{income yield} & \times 2\% & = & \text{town income rate} \\ 13,890 & \div & \$10,110 & \times 2\% & = & 2.75\% \end{array}$$

$$\begin{array}{rclclcl} \text{Household Income} & \times & \text{town income rate} & = & \text{taxes based on income} \\ \$75,000 & \times & 2.75\% & = & \$2,063 \end{array}$$

$$\begin{array}{rclclcl} \text{Taxes based on property} & - & \text{taxes based on income} & = & \text{PTC} \\ \$4,796 & - & \$2,063 & = & \$2,733 \end{array}$$

Implications for Vermont's System to Fund Education

- The system is complex: The connection between local budgets, statewide spending, and individual tax bills is not straightforward, which can reduce trust in the system and discourage public engagement
- There is little budgeting control for the State: Property taxes can go up in districts that make cuts or have relatively low spending because of spending in other districts
- There is limited incentive to make difficult budget decisions and reduce spending as enrollment declines and tax rates can increase despite budget cuts or frugal budgeting

Expenditures

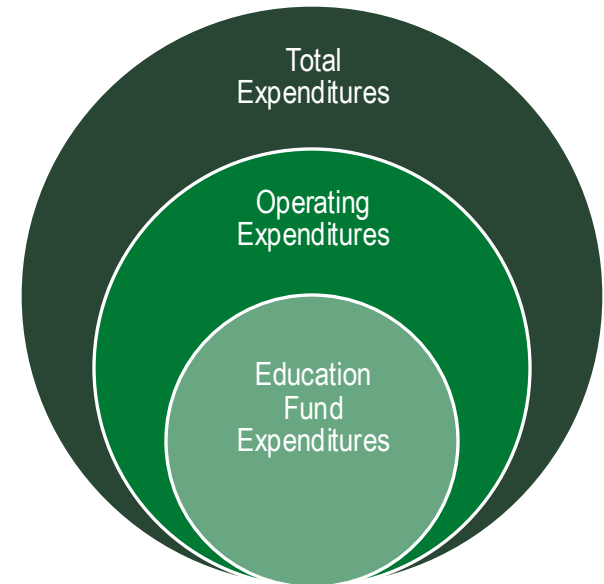
Expenditures can be examined by looking at:

- Total expenditures
 - All expenditures for all purposes and from all sources
- Operating expenditures
 - Excludes capital, debt service, enterprise and trust funds
 - Includes all sources
- Education Fund expenditures
 - Includes only expenditures funded by the state

Both the first tier and second tier of funding represent all revenues available to serve students, regardless of funding source, and is an important consideration for the equity, access and education opportunity that those dollars provide students.

The third tier represents the experience of the state and taxpayers.

Expenditure Tiers

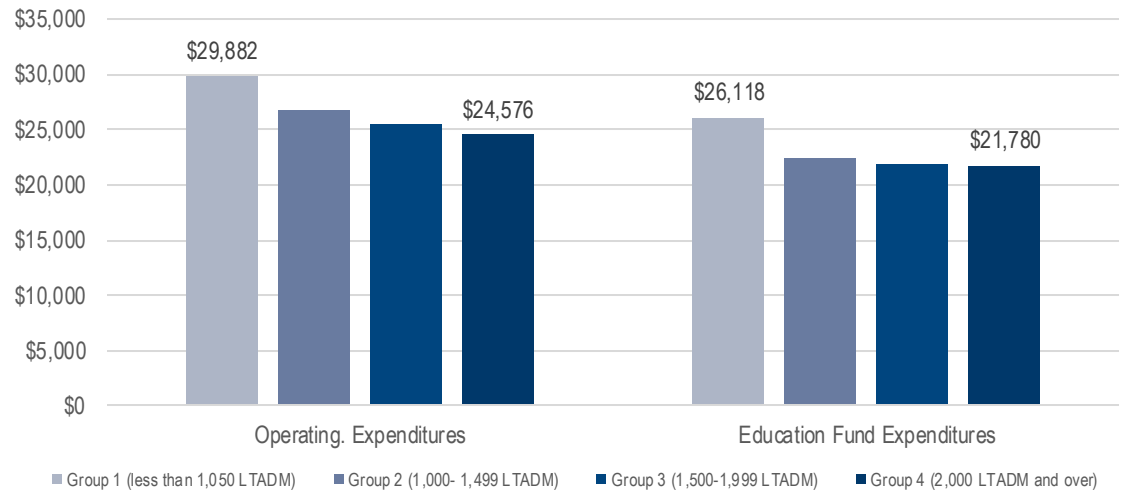


Expenditures per LTADM by SU/SD Size and Need Groups (FY23)

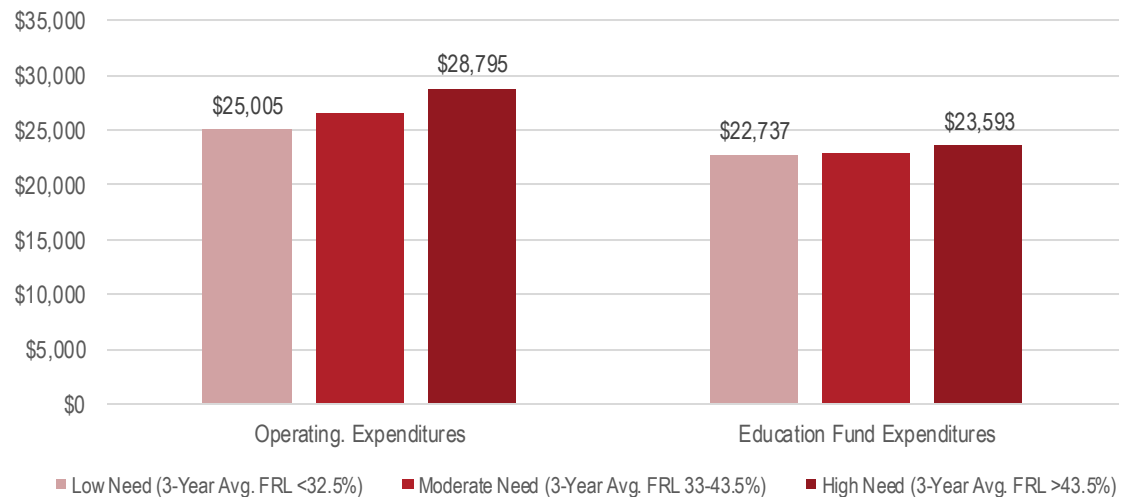
Both operating expenditures and Ed Fund expenditures are higher in smaller SU/SD settings.

Expenditures are higher in higher need settings, but to a less meaningful degree when looking only at Ed Fund expenditures in FY23.

FY23 Operating and Ed Fund Expenditures per LTADM by SU/SD Size Group

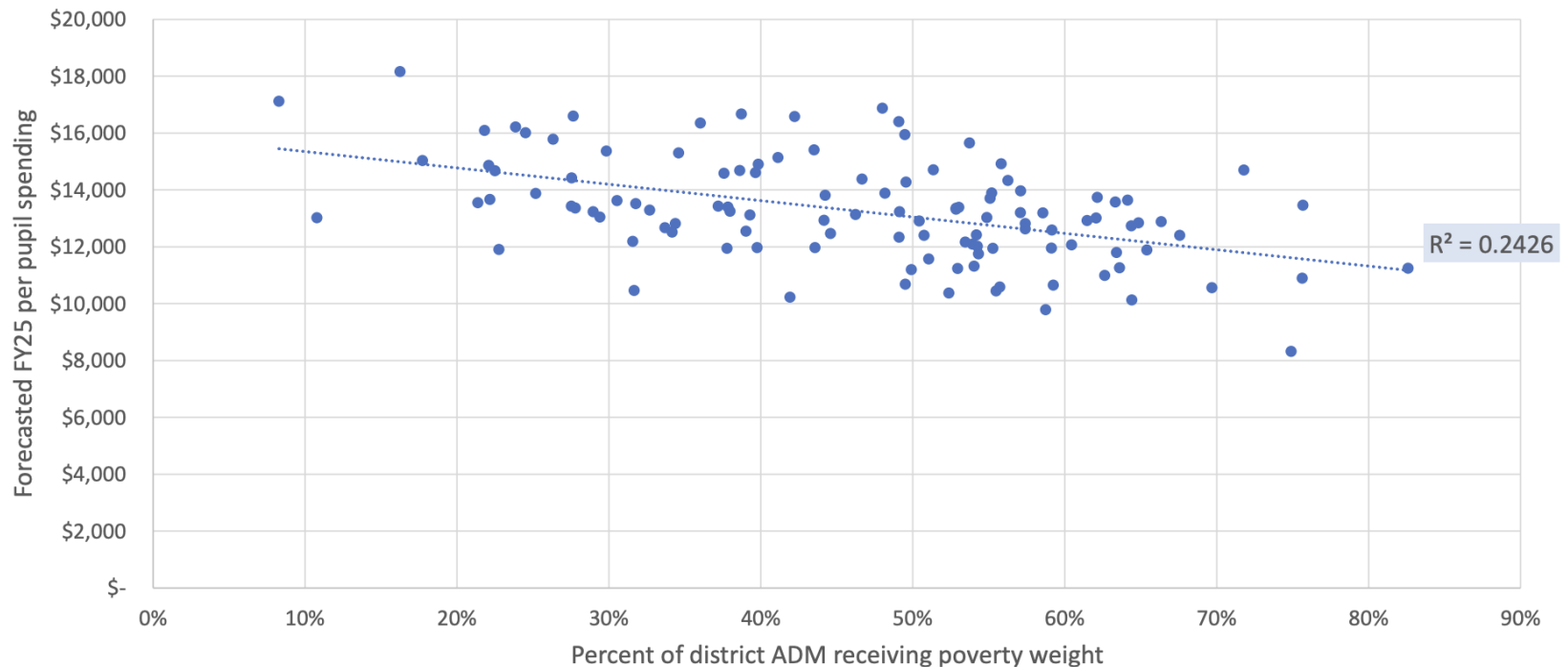


FY23 Operating and Ed Fund Expenditures per LTADM by Low, Moderate, and High Need SU/SD Categories



FY25 Budgeted Ed Spending

FY 2025 Per Pupil Spending Forecasts by District Poverty Level



Data provided by the Vermont Joint Fiscal Office.

Governance and Scale

Vermont's System of School Governance

- Local school boards set policy, hire/fire Superintendents, and set budgets for voter approval.
- Vermont's school boards are generally larger than many other places across the country.
- The number of members on a unified school district board ranges from 3-19 members, with an average of seven members
- Some Supervisory Unions can have between 2-7 school boards, depending on the number of school districts in their region, with between 10-78 total school board members. This is a very rare structure in other states
- On average, Supervisory Unions have 1 board member for approximately every 75 students
- Many school board members in Vermont are elected by residents of a single town rather than "at large" across all the towns where the board oversees schools.

Implications of VT's Governance Structure

1. School districts and supervisory unions are more often administered as a “system of schools” each with a high degree of autonomy for everything from schedule to course offerings.
2. It is challenging to reach agreement on common policies, programs, and practices across grade levels and schools that can help ensure efficient, effective use of resources.
3. Responding effectively to the needs and wants of each school board requires time and effort from the superintendent and their staff.
4. There are barriers to coordinating curriculum, teaching practices and sharing staff.

Vermont's system of governance means that it is especially challenging to moderate spending, increase achievement, and to ensure equity for all students.

Local Control

- Local control requires certain conditions to be in place to be truly effective and equitable:
 - Communities that are willing to invest in education
 - Consistent property values or tax capacity
 - External cost pressures out of local control
 - Community willingness to share resources
 - Ability for members of the community to understand how the system works
- Findings from Listen & Learn tour expressed:
 - Local control needs to balance with consistency of statewide requirements in key policies/practices
 - "Local control" feels like a myth – state funding system created unexpected impacts on small communities, regardless of local decisions

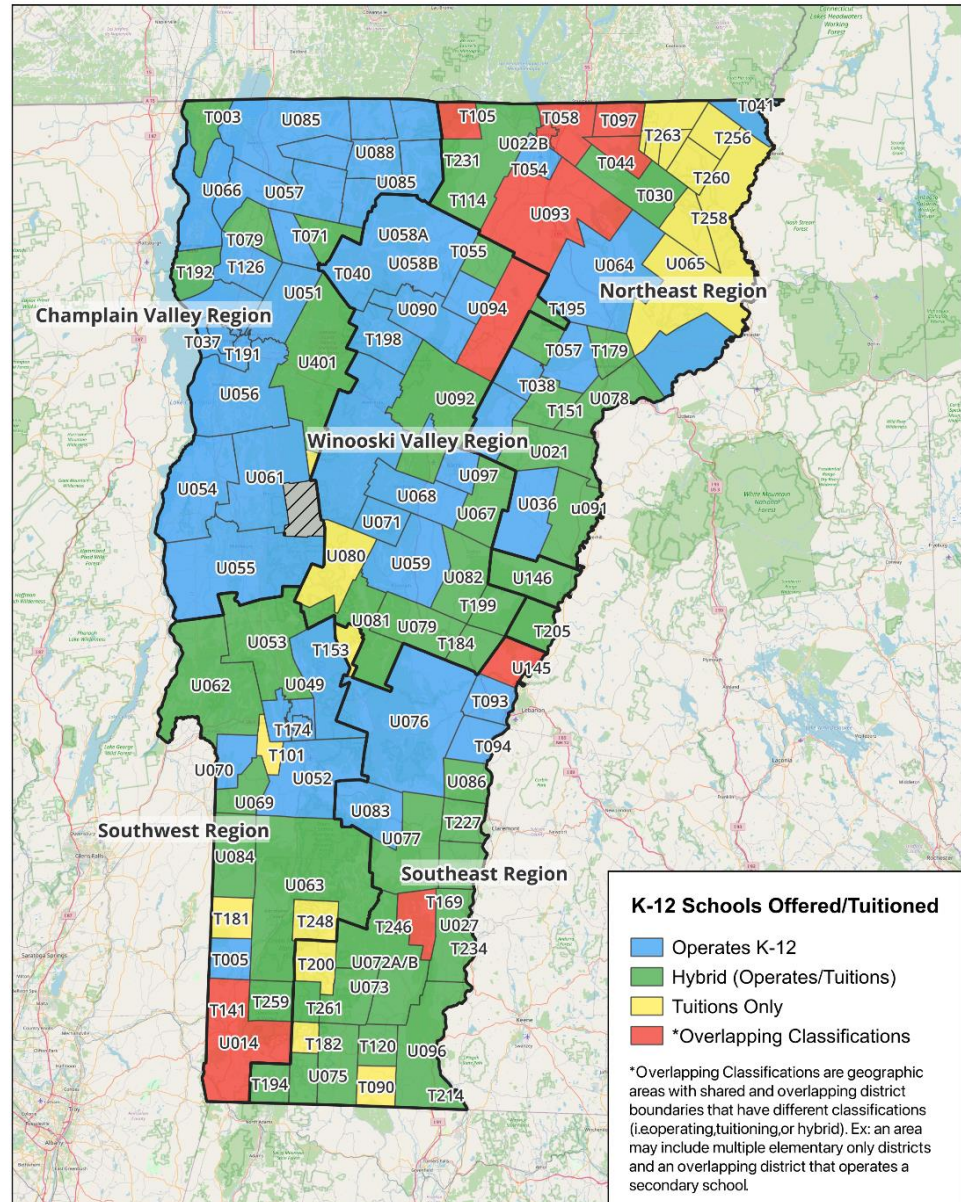
Tuitioning

A student who lives in a town with no public primary or secondary schools is provided educational options in another school through the process of “tuitioning”.

- Unique to VT’s education system.
- Sending town pays the receiving school or district an amount called “average announced tuition” or higher amount as dictated by statute.
- Can pay tuitioning to public or approved Independent School, in or outside of VT.
- As of FY24:
 - 15 out of 119 school districts pay tuition for all K-12 students
 - 95 out of 119 pay tuition for all high school students (for less than 1% of total students)
- Benefits rural areas where new schools would be costly to build
- Challenges districts as they have little or no control over tuitioning costs
- Less than 1% of students who tuition in FY23 attended non-special education related private or independent schools out of state.

K-12 Grades Offered/Tuitioned by District

K-12 Grades Offered/ Tuitioning Patterns by District



Teaching and Learning Best Practices

**EFFECTIVE AND COST EFFECTIVE STRATEGIES
TO SUPPORT QUALITY, EQUITY AND
SUSTAINABILITY**

Vermont Context

- Most states establish clear benchmarks that help local leaders compare performance and spending and work toward a common goal
- Small class sizes do not necessarily equate to better student outcomes. The quality and effectiveness of teachers has a far greater impact on student outcomes than class size.
- Due to small class sizes, much of the education funding goes to sustaining a comparably large number of classroom teachers rather than compensating them at levels comparable to many other states.
- Another result of this scale is that there are a high % of educators on emergency or provisional licenses

Vermont Context (cont)

- VT has fewer specialized teachers. Other states leverage specialized teachers in larger classrooms to provide differentiated support.
- Reliance on paraprofessionals: The state has consistently led the country in paraprofessional-to-student ratios with 15-20 paraprofessionals per 1,000 students

Vermont Context (cont)

- Teacher/Staffing patterns
 - Full-time staff in schools and “rounding up” → challenge in sharing staff across small schools
 - Consolidation to unified school districts did support the sharing of staff across schools to reduce costs and increase equitable access to resources
 - The AOE has provided trainings to districts to maximize their staffing as part of its FY26 and FY 27 budget support → these best practices have been pioneered in small, rural schools

Other State Models

How Do Other States Fund Education?

1. The state calculates, based on a formula, how much each school system should need to provide a reasonable education.
2. The state also calculates how much of the spending on education comes from the state (i.e. is there a local share?).
3. The state informs each district how much money each will receive.
4. School systems build budgets within the limits of the money they are going to receive.
5. In some states, additional spending above the state-funded formula is allowed through local taxpayer vote.

Funding Formula Types

1. Foundation Formulas (33 states): Base + Weights
2. Position Allocation Systems (8 states): guarantees that school districts have a certain number of teaching positions based on enrollment + operating costs. School districts are often locked into how they can expend their funding based on the state formula.
3. Hybrid Systems (3 states): Foundation formula + Position Allocation System.
4. State Specific Systems (5 states) *including Vermont: varies widely, with some states (Michigan) exerting strict control, others use a resource allocation method, but no formula, etc

Funding Formula Approach by State As of 2018

Funding Formulas	States
Foundation Formulas (33)	AK, AR, AZ, CA, CO, CT, FL, IA, IL, IN, KS, KY, LA, MD, MN, MT, MO, NV, NH, NJ, NM, NY, ND, NE, NV, OH, OK, OR, RI, SC, TX, UT, WA
Position Allocation Systems (8)	AL, DE, ID, NC, SD, TN, WA, WV
Hybrid Systems (3)	GA, ME, VA
State Operates as a Single District (2)	DC, HI
State Specific Systems (5)	MA, MI, VT, WI, WY

Key Takeaways

Key Takeaways

- Funding, governance, and education delivery are inextricably linked
- Vermont's education funding system is unique and complex, shaped by an intent to provide taxpayer equity and promote local decision-making
- In practice, there is inequity in terms of districts' ability to provide a well-rounded education and guarantee that students with the same needs get the same resources
- The current funding system is confusing and unpredictable to the taxpayer and inhibits strategic budgeting at the district level to promote financial solvency and academic outcomes.

Key Considerations

- How can Vermont reduce the inequities in per pupil spending to ensure students with similar needs receive similar resources?
- How can we align funding and resources with student need to drive student outcomes and success?
- How can we create more meaningful opportunities for students and support a Whole Child approach to reduce absenteeism, and improve student engagement?
- How can we support effective and cost effective delivery of special education services in all districts and schools?
- How do we ensure that every student has a highly-qualified teacher in a safe, healthy and welcoming school environment?

Education Transformation: How Do We Get There?



Transform education funding



Modernize Governance and Scale



Improve Support and Guardrails for School Boards and Districts



Improve Education Quality and Equity



Tax Relief to Stabilize the System

Questions?

