

# Education Finance Reform

**2021 Act 59 and S287**

**Ensure all public school students have equitable access to educational opportunities**

- Weighting Calculations & Values
  - Categorical Aid Possibilities
  - Poverty Measurements
  - Mathematical Functions
  - Education Quality Standards
  - Transition Mechanisms
  - Special Education/Act 173
  - Consider Acts 60, 68 & 46
  - Tax Equity Considerations
  - Excess Spending Threshold
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# Core Values Guiding Task Force Work

- Commitment to equity for taxation *and* resource allocation
- Focus on providing equitable resources to *every school district in the state*
- Acknowledgement that we are working in a time of crisis
- Preserve the equity already embedded in current system
- Understand and prevent unintended consequences
- Ensure appropriate accountability, evaluation, and oversight
- Improve transparency and simplicity
- Develop a fair and smooth transition to the new financing mechanisms, so districts with reduced taxing capacity can manage budgets and tax rates, while districts that gain taxing capacity can adequately plan how to leverage new resources

# Systemic Change Recommendation Options

## Option 1: Pupil Weighting

*Adopt general set of school-level pupil weights all applied using an additive mathematical function*

- Students living in poverty
- Middle and high school students
- Small schools with fewer than 250 or 100 students
- Sparse school districts with population density below 100, 55, or 36 persons/sq mile

## Option 2: Cost Equity Payments

*Adopt general set of cost equity payments derived from pupil weight cost equivalents. Conduct further analysis to determine payment amounts & impacts on school districts*

- Students living in poverty
- Middle and high school students
- Small schools with fewer than 250 or 100 students
- Sparse school districts with population density below 100, 55, or 36 persons/sq mile

# Further Recommendations to Accompany Systemic Options

**English Language Learners Categorical Aid** - create targeted funding to benefit all schools with ELL students & eliminate pupil weight

**Counting Students Living in Poverty** - change measure from SNAP enrollment to free- and reduced-priced lunch enrollment, then universal income declaration form

**Small School & Merger Support Grants** - eliminate small school grants & use weights, maintain merger support grants for districts that don't qualify for weight

**Transition Mechanisms for Changes** - 5-year phase-in, suspend spending threshold during transition, consider using Education Fund surplus

**Education Tax Advisory Committee** - create entity to oversee updates to weights or cost equity payments; create consensus process with JFO & AOE

**Comprehensive Evaluation Mechanism** - do changes improve student outcomes and equity of opportunity?

**Unified income-based taxation system for K-12 education funding** - eliminate homestead property taxes for education and replace with unified local income tax system

# Cost Adjustment Recommendations (Kolbe et al)

Cost Factor	Weight	Cost Factor Adjustment
<b>Student Need</b>		
Poverty, using FRL	1.03	\$10,480
ELL	2.49	\$25,335
<b>Grade Level</b>		
Middle grades (6-8)	0.36	\$3,663
Secondary grades (9-12)	0.39	\$3,968
<b>School Enrollment</b>		
<100 pupils	0.21	\$2,137
100-250 pupils	0.07	\$712
<b>Population Density (persons per square mile)</b>		
less than 36 per square mile	0.15	\$1,526
36 to less than 55 per square mile	0.12	\$1,221
55 to less than 100 per square mile	0.07	\$712

Note: Not a decrease in weight, but a shift from base of one to base of zero. Weights based on 10/28/21 memo.

# Tax Capacity, Resource Allocation, and Local Control

## **Pupil Weights Shift School District Tax Capacity, Not School District Spending or Resource Allocation**

*Tax capacity:* the ability of a school district to decrease its tax rate without reducing its spending *or* the ability of a school district to raise additional tax revenue without increasing its tax rate.

*Local Control:* Individual communities determine the balance between spending and tax rates. New weights would impact local decision-making, but new weights would not change the reality that different school districts have different spending priorities, cultures, and taxing tolerances.

# Pupil Weighting Approach

## Pros

- Maintains current system and familiar framework
- Dynamic to differential budget needs of local school districts
- Adjusts for inflation more easily
- Maintains local control of spending priorities and decisions

## Cons

- Does not guarantee additional funds will be approved by voters or spent on the area of need
- Magnifying impact, benefitting higher-spending districts
- Differential weights for areas of need means larger weights offset impact of smaller weights
- Equalized pupil calculations are confusing to voters
- May increase overall education spending

# Cost Equity Payment Approach

## Pros

- Delivers payments to districts that reflect the per pupil cost for different categories of need.
- Maintains ability for districts to spend additional funding as desired.
- Simplifies formula by eliminating equalized pupil calculation
- Improves transparency and accountability

## Cons

- More extreme tax impact on school districts
- Unknown unknowns
- Not sensitive to differential local budget needs or marginal costs
- Needs regular recalibration or inflation adjustments
- May increase overall education spending



# Measuring Poverty

- Change measure from SNAP enrollment (current law) to free- and reduced-priced lunch enrollment (available data), then universal income declaration (best practice).
- Change in measurement tools, not income levels. Both are set at 185% of FPL.
- School-based program with local control of administration.
- More accurate measure of students in need.

# Small School and Merger Support Grants

## Replace small school grants with weights for:

- Pupils in schools with fewer than 100 students (.21)
- Pupils in schools with 101–250 students (.07)
- Schools must be in a school district where the population density is less than 55 people per square mile
- Weights only apply to pupils in the small school, not all students in the district

## Maintain merger support grants for:

- Districts that merged through community vote
- Districts merged through State Board of Education order

Districts that qualify for small school weights do not maintain merger support grants

# Transition Mechanisms

- Tax Rate Mitigation: 5-year phase-in of equalized pupils or tax rate changes
- Suspend Excess Spending Threshold and Hold Harmless Provisions during transition period: per pupil spending could change significantly with changes in equalized pupils and education spending throughout the state

# Education Quality Standards & Accountability

- Ensure all Vermont students receive high-quality education
- Continuously verified through a formal oversight process and measurable education quality standards
- Provide AOE with positions and resources necessary to support school districts in maintaining and verifying education quality
- Ongoing work of AOE, SBE, school districts, Education Committees

# Program Review - Did this accomplish desired outcome?

## **Build in an evaluation mechanism:**

- (1) whether, and the extent to which, each of the goals of equity, simplicity, and accountability (or other goals) have been met;
- (2) how these goals should be measured - a singular outcome was used for Pupil Weighting Factors Report analysis (standardized test scores)
- (3) if a goal has not been met, the reasons for the failure and recommendations to achieve that goal; and
- (4) the fiscal impact of the legislation, including the cost of implementing the goals.