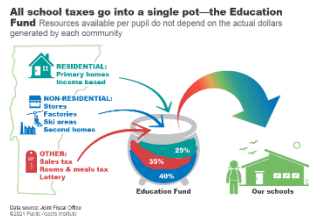


**Task Force on the Implementation of the Pupil Weighting Factors Report  
 Testimony of Stephanie Yu, Deputy Director, Public Assets Institute  
 September 13, 2021**

1. **Introduction.** Good afternoon. Thanks for having us today. I'm Stephanie Yu, the Deputy Director of Public Assets Institute and with me is Jack Hoffman, our Senior Policy Analyst. We are a nonpartisan nonprofit fiscal policy think tank in Montpelier, and we look at state-level tax & budget policy and how to achieve a state that works for everyone, no one excluded. That includes a lot of work on education funding policy, since providing public education is the biggest job the state does. I want to start off by saying that this weighting study is really important to our understanding of the needs of kids facing these circumstances. 25 years ago, we didn't have the ability to analyze the weights like this. But the study clearly established that schools facing these circumstances - high poverty rates, lots of English Language Learners (ELL), small & rural schools - need more resources. The question before the Legislature is what is the best way to deliver these additional resources? The proposal on the table is to make big changes to the current weights. There are three things I'd like to do today. First, start with a quick overview of Vermont's school funding system, because I think sometimes the foundation gets lost in the complexity of the conversation. Second, I'd like to dig into our two cost adjustment tools, how they work, how they're similar and how they're different. And third, I'd like to share some of the problems we've identified with the proposed weights.
2. **Statewide system.** I think it's important to start with something very basic about our school tax system that doesn't get focused on enough. Vermont is 1 of only 2 states that has a statewide school tax system. All resources are pooled into one big pot, the Education Fund. There are



three major revenue sources: residential school taxes, nonresidential property taxes and consumption taxes, specifically sales and rooms and meals and a few other small odds and ends. This being a statewide tax may not seem significant, especially to taxpayers who don't care who's billing them, but it is important for two reasons: first, all school districts are drawing on the state's nonresidential property taxes, which wasn't true before. It

used to be that if you had commercial property or second homes in your town, you kept that revenue for your local school, which was a big part of why there was so much disparity in ed spending between wealthier towns and less wealthy ones. And second, we are collectively raising all of the money needed for all of the kids – rates are set based on the total amount we need statewide and then calibrated so that each town's tax effort corresponds to its per-pupil spending. That means that in Vermont, student funding is not dependent on the wealth of the community. That means we're all paying for all Vermont kids since Act 60 of 1997. We used to only pay for our own town's kids, now we all share resources. No town is funding its own schools through homestead taxes, we're all getting a mix of all the resources from the Education Fund. And that has allowed us to achieve a basic statewide level of equity that we did not have 25 years ago, and that few other states have. All students share all the resources, and all resident taxpayers have to make the same effort to get the same per-pupil spending. We take this



statewide perspective in the interest of equity, recognizing that when things are left 100% local, the disparities tend to get pretty big. But we also believe in local control, leaving as much of the decision about what to spend in the hands of communities, which means that we still have variation in what districts decide to spend. So while we all pay for all the kids, we trust each community to know best what they need for their kids. Vermont’s system supports whatever spending level people choose, but residents of those districts that choose their higher per-pupil spending will pay higher school taxes. So what we have is a balancing act – what makes sense to determine at the state level, while maintaining as much local control as possible.

3. **Cost adjustment tools.** And this is where a second level of equity comes in, on top of this statewide level playing field we put in place. Vermont recognizes costs that vary from district to district and require funding adjustments beyond what the system’s basic equity delivers. Rural transportation costs are different from those in more densely populated parts of the state, for example. Children growing up in poverty need more resources than those who are not. The state has two tools to direct funding to school districts with these additional needs to ensure that schools have enough money to educate all their students, regardless of need: **categorical aid** and **pupil weights**. These tools are not meant to be static, but to be responsive to changing needs across the state and to be recalibrated as needed.

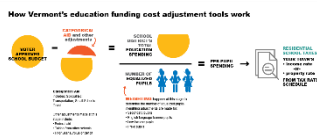
a. Definitions

- i. Categorical aid is money for districts either for categories of costs or for categories of need.
- ii. Weighting is used to adjust each district’s pupil count, which impacts per-pupil spending and residential tax rates.

b. Uses

- i. Currently, we use categorical aid for three things: special education, transportation and small schools. Transportation and special education are reimbursements for specific costs, small schools are considered a category of need – if your school is eligible, you get the money to be used as you see fit. (At least that’s how they used to work. The arguments over them now are not because they’re categorical aid, but because of the state’s ambivalence about investing in small schools.)
- ii. Weighting is currently applied to students facing certain circumstances – economic disadvantage, English Language Learners, and certain grade levels. The current weights range from .46 to 1.25.

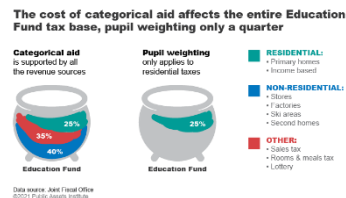
c. .



I think it might be helpful to walk you through an equation that helps us think about how these two tools work and where they come into the process. As you all know, we all decide on our local school

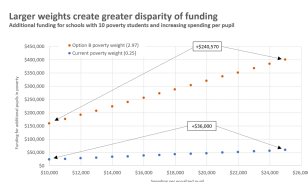
budgets, mostly on Town Meeting Day. We approve a total budget, but that’s not what sets our town’s tax rates. First we take some costs off the top – categorical aid, federal aid and a few other adjustments. That leaves us with each district’s education spending, typically around 85% of the total budget. This is where pupil weighting comes in, because we divide the education spending by the number of equalized pupils, which is the number of pupils after weighting adjustments are made and then equalized across the state. That gives us each district’s per-pupil spending, which determines the

residential tax rates, both income and property. Per-pupil spending is really a way of comparing apples to apples across districts – how they compare after setting aside the size of the district and setting aside differing needs across students. This also means that categorical aid is supported by all revenue sources, weighting only affect the residents’ school taxes, which are about a quarter of the Ed Fund. Again, I think it’s helpful to think of these tools as two tweaks we make at the statewide level to smooth differences across districts while still leaving most of the decision about how much to spend at the local level.



#### 4. Challenges with using much bigger weights as proposed

- Weighting is typically used for fine tuning (there is one state that has a weight more than .5; no state has a weight of 2.97), so **this proposal is an extreme use of weights.**
- Districts with higher per-pupil spending will benefit more from this adjustment.** In other states, weighting is applied to a fixed amount. They establish a foundation amount and then they weight that fixed number, so everyone is getting the same amount from that weight. But in Vermont weighting affects all ed spending, which is variable from district to district. So even with the current weights, the more you spend, the greater the benefit of the weights. But going to significantly higher weights means that distortion also increases significantly. An even greater share of that additional funding that weighting generates goes to the higher spenders. What you’re looking at is the

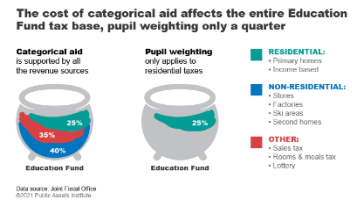


total additional funding for a district with 10 kids in poverty. Under the current system, represented by the blue line, a district spending \$10,000 per pupil will get \$24,000 in additional spending and the district spending \$25K per pupil will get \$60,000. They both get additional funding, but the higher spender gets more, in this case a

difference of \$36,000.

- But weights of the size proposed here will increase the disparities between districts,** the opposite of what our funding system has been trying to do for 25 years. The proposed weights are the orange line. Again, higher spenders will still get more resources, but with the proposed weights, the difference is much bigger: instead of a difference of \$36,000, the difference would be \$240,000, a gap nearly seven times greater. Same districts, same number of kids in poverty, and now there’s a much bigger gap in resources. And you can see from where the proposed line is and how much steeper the slope is, that these proposed weights would have a big impact and they’d benefit districts with higher per-pupil spending more. In contrast, with categorical aid this would be a flat line. For the same number of kids in poverty, districts would get the same amount of aid, which would help districts at the lower end of the spending scale more. It’s like giving raises to employees – a flat \$1000 is going to help those at the low end of the wage scale more than those at the high end. \$1000 means a lot more to someone making \$20,000 than someone making \$100,000, where a 1% raise is worth less to the person making \$20,000.

- d. Again, **weighting only affects residential taxpayers, who are responsible for just a quarter of the Ed Fund resources.** Categorical aid draws from all revenue sources. This is significant because with weighting, residents absorb all of the adjustments, and these are big adjustments. If you're raising \$100, is it better to raise it from 25 people or from 100 people?



- e. **Weighting of this magnitude will make the system harder to understand** – both in the transition process to new weights and permanently. These weights will make the equalized pupil counts very different, and they will bear little resemblance to the actual pupil count. \$5000 per kid in poverty is easier to explain than a town suddenly having 200 more pupils and how that impacts somebody's tax bill by changing the denominator of the per-pupil spending calculation.

Categorical aid does not have any of these problems. I think a lot of the concerns you've heard about categorical aid stem from this idea that it somehow would upset that balance between the state role and local control, which is why I think it's important to understand how these tools are similar and why we should consider them both in this conversation.

## 5. How categorical aid and pupil weighting are similar

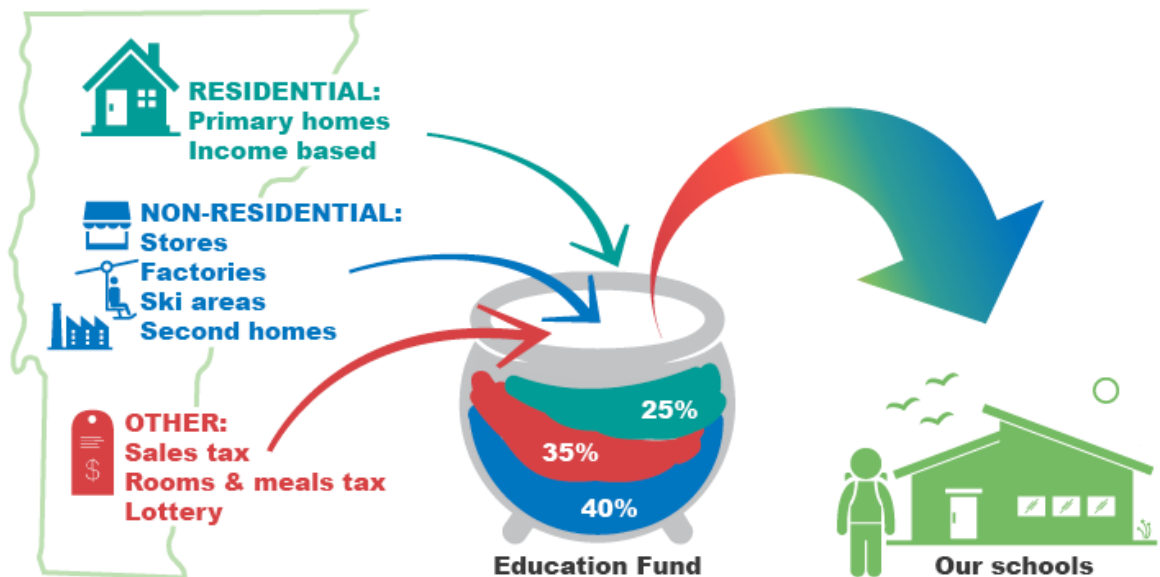
- The Legislature does not have more control over categorical aid than weights. In fact, the entire school system of districts and funding and local control is established by the Legislature and could be changed by the Legislature. So any concern about categorical aid being more vulnerable to policy changes is misplaced. There is no evidence that categorical aid has been changed from year to year. Both categorical aid and pupil weights are considered as part of education policy discussions, not the appropriations process. The Legislature is setting the eligibility criteria and categories for both tools now, and will continue to do so.
- School districts can decide how to spend the resources from either tool. While some categorical aid is reimbursement for specific costs, it doesn't have to be. Like small schools grants – if your district is eligible, you get the unrestricted money. Again, the recent challenges over small schools grants are not because it was categorical aid, but because there's ambivalence about supporting small schools as evidenced by Act 46 and its aftermath. It's really up to the Legislature to decide how much or how little to track the dollars or determine criteria for use.
- Neither tool would automatically add funding to the system – it can be set up how policymakers see fit and voters would still get to determine their school budgets.
- Both weights and categorical aid amounts would need to be updated periodically.

6. **Conclusion.** Vermont has a solid education funding system with a baseline level of statewide equity for students and taxpayers balanced with local control over school budgets. It has these two built-in tools – categorical aid and pupil weighting - to make periodic tweaks to meet students' changing needs, and we're due for some changes. But what the changes are is the question. We're not saying that categorical aid should be used instead of weights. We're here to urge this committee to do a fair and thorough assessment of both of these tools for making adjustments before making a recommendation to the Legislature. No one imagined that when the Legislature asked for an analysis of VT's current weights that the consultants would

recommend increasing the poverty weight 12-fold. Those recommendations are based on a regression analysis that suggests that spending more money will produce better results in schools with kids facing these circumstances, but as the authors have said, the study really didn't look at what the best tool is to get that money to districts. I think the main point of the study, which we all agree with, is that what we have is inadequate for a lot of kids. But the Legislature deserves to understand all the options. The only option before you at the moment is to adopt weights way beyond what any other state has, in a system that works differently from other states, weights that would create greater distortions and more confusion in the system, increase disparities across districts, and have to be absorbed by only a quarter of the tax base. Categorical aid may make more sense as a vehicle to deliver more support to districts with kids in these categories, or there may be some combination of weighting adjustments and categorical aid that makes sense. You may already be looking into this, but I think what we need is a sense of what categorical aid would look like, how much for kids in poverty, how much for ELL, how much for small and rural schools. It doesn't have to, and shouldn't, delay the timeline for change, but it could deliver better policy options, and ultimately avoid some of the challenges that going to weights of this magnitude would bring. Thank you.

Slide 1

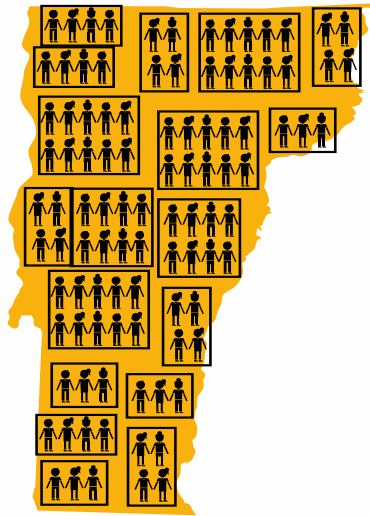
**All school taxes go into a single pot—the Education Fund** Resources available per pupil do not depend on the actual dollars generated by each community



Data source: Joint Fiscal Office  
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## We all have a stake in every child's future

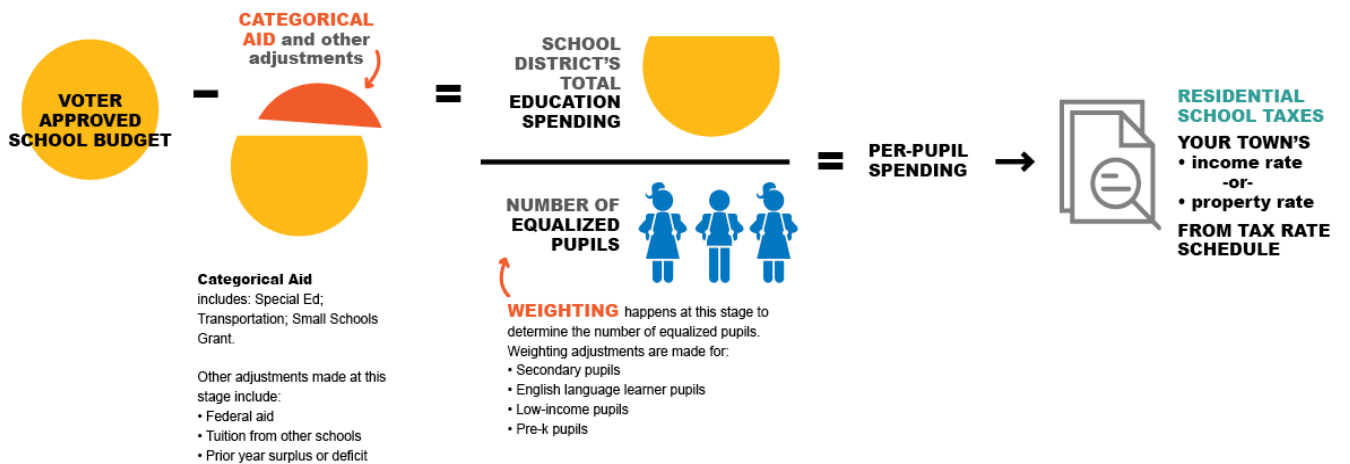
**Before Act 60** 'our kids' meant the kids in our own town



**Since Act 60** 'our kids' includes all the children in Vermont



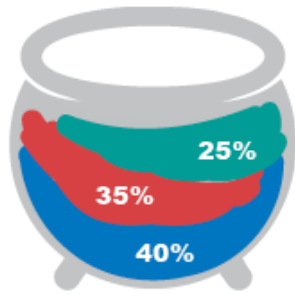
## How Vermont's education funding cost adjustment tools work



## Slide 4

# The cost of categorical aid affects the entire Education Fund tax base, pupil weighting only a quarter

**Categorical aid** is supported by all the revenue sources



Education Fund

**Pupil weighting** only applies to residential taxes



Education Fund

- RESIDENTIAL:**
  - Primary homes
  - Income based
- NON-RESIDENTIAL:**
  - Stores
  - Factories
  - Ski areas
  - Second homes
- OTHER:**
  - Sales tax
  - Rooms & meals tax
  - Lottery

Data source: Joint Fiscal Office  
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## Slide 5

# Larger weights create greater disparity of funding

Additional funding for schools with 10 poverty students and increasing spending per pupil

