

Education spending: What's true

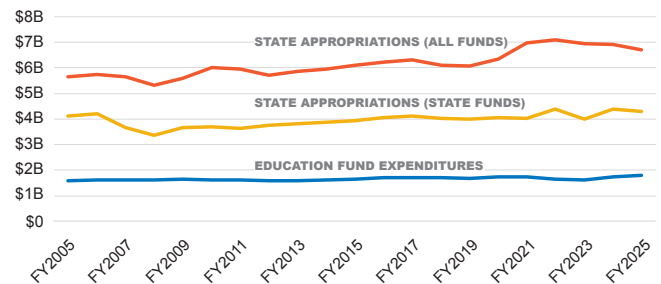
Vermonters want all kids to have the resources they need to succeed and we want to pay for our public schools fairly. There are a lot of myths and confusion about our education funding system, but what we do know is that a fair funding system is critical to getting our kids the resources they need.

WHAT YOU HEAR: School spending is out of control.

WHAT'S TRUE: Education spending has been flat for decades after adjusting for inflation, just like the rest of the state budget.

Education spending has been a consistent share of our state resources and grown at the same rate as the rest of the budget. Both education expenditures and the rest of the state budget have just kept up with inflation since 2005. Education spending did increase in FY25, driving homestead taxes up by 12.9%, but those costs were largely out of school districts' control. In spite of these rising costs, per-pupil spending has grown less than one percent a year over the period after adjusting for inflation.

Education spending has been flat for 20 years
State appropriations and education spending, adjusted for inflation (2020\$), FY2005-FY2025



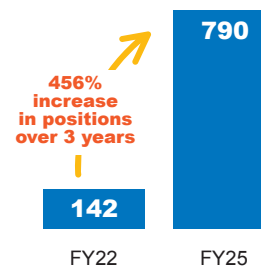
Data source: Vermont Joint Fiscal Office
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WHAT YOU HEAR: Local control is driving spending up.

WHAT'S TRUE: For most towns, much of the increase in tax bills was driven by costs outside districts' control and increases in property values.

The primary cost drivers in recent years would have hit no matter how many districts we have or who decides how much to spend. The Agency of Education identified the [main reasons](#) for the FY25 spending increase: inflation; health insurance; the growing need for mental health services for students; and the loss of Covid-era federal funds. All of these pressures were unavoidable and affected other states as well as Vermont.

Demand for mental health services in schools is surging Mental and behavioral health positions, Vermont school districts, FY2022 to FY2025



Note: These numbers captured mental health positions in schools surveyed by AOE. Contracted providers and positions in schools not surveyed are not reflected.

Data source: Vermont Agency of Education
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WHAT YOU HEAR: District consolidation will save money.

WHAT'S TRUE: Act 46, which pushed districts to consolidate, did not have a big effect on spending.

While there has not been a comprehensive evaluation by the Agency of Education, [other research](#) has found limited cost savings or improvement in outcomes from the mergers and [raised concerns](#) about the effects of Act 46 mergers on communities.

WHAT YOU HEAR: A state-controlled foundation system is more equitable.

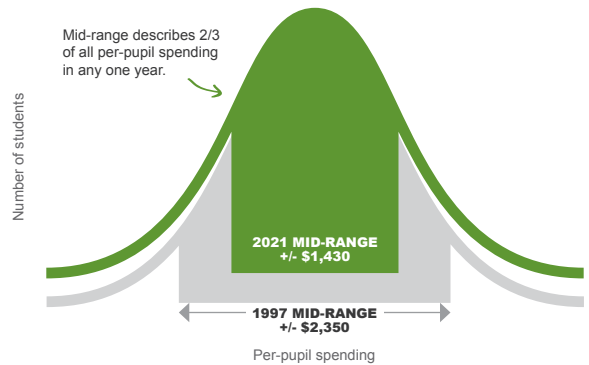
WHAT'S TRUE: Most foundation systems exacerbate inequality, including the one Vermont had before 1997.

Before the *Brigham* case declared the state's foundation system unconstitutional, there were stark disparities between rich and poor towns because rich towns could raise and spend as much as they wanted above the foundation amount. The foundation amount essentially acted as a ceiling for poor towns and a floor for rich towns. In fact, the system we have now succeeded in narrowing the disparity among towns, and making things fairer for taxpayers by ensuring they get the same per-pupil spending for the same tax rate.

But even with limits on how much towns could raise above the foundation amount, there would be pressure to keep that amount as low as possible. Lawmakers in Montpelier are responsible for the entire state budget, which is complex and many steps removed from the needs of individual kids and schools. And because pre-K-12 education is the biggest thing the state does, even small tweaks to the foundation amount multiplied by 80,000 kids add up to big cost savings—or big cost increases. There would be constant pressure to underfund inflationary increases or lower the foundation amount to balance the budget. And in fact, that did happen in the past in Vermont: When a portion of education funding had to be appropriated from the General Fund, lawmakers waited until the rest of the state budget was funded before deciding what to transfer for education.

Our current funding system narrowed the spending disparities Vermont had before 1997

Mid-range per-pupil spending, FY2021 and FY1997

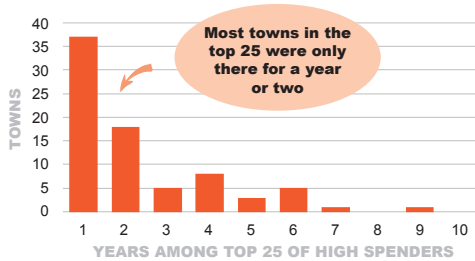


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WHAT YOU HEAR: Towns are consistently high or low spenders.

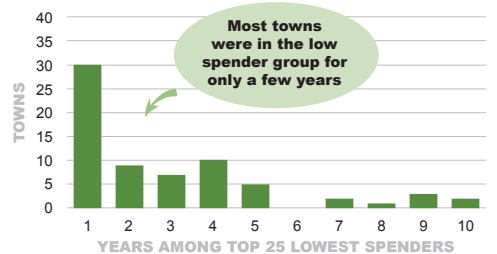
WHAT'S TRUE: Most towns are only high or low spenders for a year or two—something drives their costs up or down temporarily and then they regress to the mean.

Few towns were consistently high spenders over the last decade Frequency of towns among top 25 in per-pupil spending, FY2016-25



Data source: Vermont Agency of Education ©2025 Public Assets Institute

Few towns were consistently low spenders over the last decade Frequency of towns among 25 lowest per-pupil spending, FY2016-25



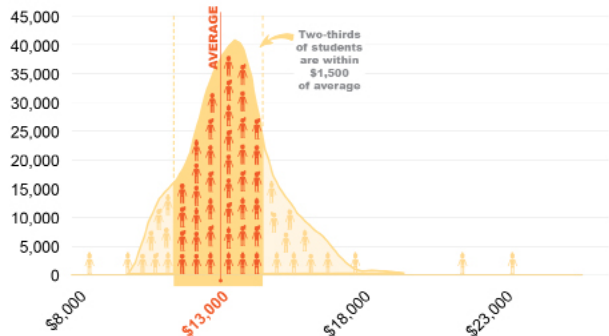
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WHAT YOU HEAR: Towns are all over the place on education spending.

WHAT'S TRUE: 2/3 of students are within a narrow range of spending, and those at the high and low ends are not there consistently.

Most students fall in narrow spending range

Distribution of per-pupil spending per weighted pupil, FY25



Data source: Vermont Agency of Education ©2024 Public Assets Institute

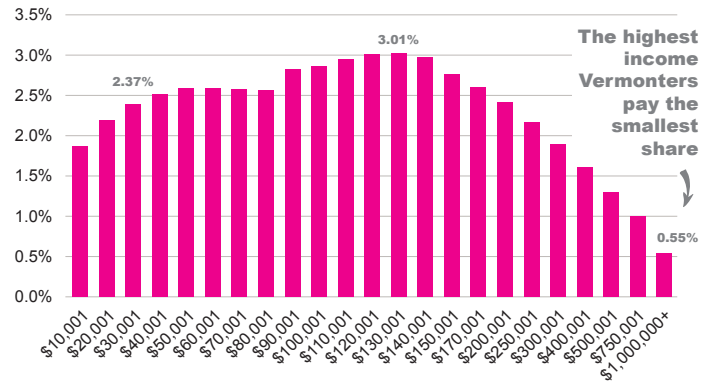
WHAT YOU HEAR: People who get income sensitivity are getting a tax break.

WHAT'S TRUE: Higher-income taxpayers are the ones getting the biggest break by paying based on property value.

While income sensitivity is delivered in the form of a property tax credit, low- and middle-income Vermonters who qualify pay a greater share of their income in school taxes than higher-income Vermonters.

An unfair system: Low- and middle-income Vermonters pay more of their income in school taxes than the richest Vermonters

Education tax as a percentage of household income, 2017



Data source: Vermont Joint Fiscal Office
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What does this all add up to?

There is a lot of confusion surrounding the problems facing Vermont schools that need fixing. There are problems with who pays, and we can fix those this year. There are a lot of concerns around reading and math scores declining in the wake of the pandemic, and about cuts to arts and music and libraries that schools are already making, and we need to address them. But the biggest myth of all about school funding might be that schools can keep doing more with less. In all of the education reforms of the last decade, we've heard that the way to improve schools is to spend less:

- **Act 46 in 2015** was supposed to improve outcomes and save money through school consolidation.
- **Act 173 in 2018** was supposed to improve outcomes and save money by changing how we fund special education.
- **Act 127 in 2022** was supposed to improve outcomes by providing more money for kids in weighted categories (and save money by pressuring districts with fewer kids in these categories to spend less).

But we have not had good evaluation of any of those policies, in part because we haven't really given them a chance to take effect before adding more changes into the mix. What limited information we have does not reflect much in the way of cost savings or improved outcomes. And now, after these major reforms of the last 10 years, we're hearing again that a whole new system will save money and improve outcomes. But schools can't keep being asked to do more with less. Until we commit to ensuring all kids have the resources they need to succeed, we'll stay trapped in this cycle of myths and broken promises.