

**Vermont K-12 Public Education**  
**An Analysis of Spending and Performance 1990/01- 2006/07**  
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**Executive Summary:**

**(A) Analytical Focus**

This analysis examines Vermont's per pupil spending (PPS) between 1990/01 & 2006/07 from five perspectives:

(1) **CONTEXT:** How does Vermont's education spending compare with that of New England (CT, MA, ME, NH & RI) and the U.S.

(2) **AFFORDABILITY:** How does Vermont spending compare with traditional 'affordability' benchmarks

(3) **PRIMARY COST DRIVER:** What is driving Vermont's education spending

(4) **PERFORMANCE:** How are Vermont students performing and how does Vermont's 'return on education spending' (ROES) compare with others'

(5) **COST STRUCTURE:** How does Vermont's cost structure compare with others'

**(B) Key Findings**

(1) **CONTEXT:** Between 1990 & 1997 the 2.2% compound annual growth rate (CAGR) of Vermont PPS was marginally lower than that for the U.S. (3.4%) and other New England states (3.5%). Between 1998 and 2002, however, Vermont PPS grew at an accelerated annualized rate of 8.5%, i.e. at a materially faster pace than in the U.S (5.4%) and in other NE states (6.1%). For the 1998-2006 period, Vermont PPS grew at a 7.7% annualized rate.

(2) **AFFORDABILITY:** Between 1990 & 1997 the 2.2% CAGR of Vermont PPS 2.2% was lower than that of the U.S. Consumer Price Index (3.0%) and the growth of Vermont Per Capita Personal Income (3.7%). Between 1998 and 2006, however, Vermont PPS' 7.7% annualized growth was 2.8x the CPI (2.7%) and 1.8x Vermont Per Capita Personal Income (4.2%).

(3) **PRIMARY COST DRIVER:** The primary driver behind the dramatic acceleration of Vermont PPS is staff related costs which account for approximately 85% of current education expenditures. Notwithstanding Vermont's already comparatively low 13.8: 1 Pupil/Teacher and 6.8:1 Pupil/Staff ratios in 1996, by 2005/06 staffing had increased by 22.6% (or by 3,514) while enrollment declined by 9.1% (or by 9,706) resulting in P/T and P/S ratios of 10.9:1 and 5.1:1 respectively.

(4) **PERFORMANCE:** While Vermont public education is generally well regarded based on student performance on national tests, a very different impression emerges when comparing performance on an ‘apples to apples’ basis. Vermont is 95% ‘white/non-Hispanic’. Comparing the performance (4th grade reading) of Vermont ‘white/non-Hispanic’ students with those of other states drops Vermont’s national ranking from 2nd to 21st with a score marginally below the comparable national average. Vermont’s return on education spending (ROES) ranks 46th nationally.

(5) **COST STRUCTURE:** Due to extraordinarily high staffing levels Vermont’s cost structure compares unfavorably with those of many other states whose students are performing as well as or better than Vermont students. This difference cannot be attributed to either ‘economies of scale’ or special education. The application to Vermont of P/T and P/S ratios of other ‘small’ comparably or better performing states suggests that Vermont is 30.6% overstaffed. Reductions of 2005/06 staffing levels are achievable via 646 fewer teachers (-7.3%) and 5,185 fewer ‘other’ staff (-50.7%). Vermont’s failure to reduce staffing as enrollment declined from its 1996 peak has cost Vermont taxpayers dearly. For example, had Vermont continued to ‘invest’ in education at a PPS rate of inflation + 2% since 1997 while adjusting for the annual decline in enrollment, PPS for 2006/07 would have equaled \$9,497 or 30.5% less than actual PPS of \$13,664. This policy would have reduced Vermont current education expenditures during 1997/08-2006/07 by 19.6% or by approximately \$2.0 billion.

### **(C) Accountability/Need for Change**

If Vermont public education was a publicly owned/ traded private sector enterprise it would be a prime ‘takeover candidate’. Its Board of Directors and Senior Management would be under great shareholder/market pressure to aggressively reduce costs and improve performance - to become both leaner and more productive - or someone else would ask shareholders for the opportunity to do it for them. And, in part, therein lies the rub. Since the advent of Act 60/68 and the disconnect between education spending largely paid for and disciplined locally, PPS has grown dramatically with no one quite sure ‘who’s in charge’.

H.526, which establishes a ‘containment benchmark’ (inflation + 1%) for budget increases of school districts that are spending above the statewide PPS average, is, at best, a half-hearted effort to address Vermont’s profligate education spending and crippling tax burden. The evidence overwhelmingly supports spending reduction not simply cost containment. From already comparatively low P/T (13.8:1) and P/S (6.8:1) ratios in 1996, a 22.6% staffing increase as enrollment declined 9.1% is indefensible.

While leaving the ultimate spending decision for local needs in local hands, the state - guided and disciplined by clear and focused curriculum standards as well as cost effective P/T & P/S parameters - must clearly define what the statewide education tax will pay for.

The state would be responsible for streamlining Montpelier/supervisory union administrative staffing. Expenditures approved locally in excess of established parameters would be entirely for the account of local school district taxpayers, not statewide taxpayers.

With strong leadership, these are achievable near-term objectives. The Governor should take the lead aided by an independent 'special purpose' commission dedicated to the task at hand. It's time to provide 'value' (educated kids) to Vermont education's clients (parents of school age children) at a reasonable cost to its shareholders (Vermont's taxpayers). 'Business as usual' isn't working. Band-aid solutions such as H.526 don't either.