

Current Law Context – Federal and State categorical aid

Prepared by: Joint Fiscal Office

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Introduction: The State of Vermont receives categorical aid from the federal government through the United States Department of Education. There are several sources of aid, including Title 1, Title IIA, Title III, Title IV, National School Lunch and Breakfast programs, and special education IDEA. This funding is distributed to supervisory unions based on the number of students qualifying for each type of categorical aid. This data is from the National Education Association for FY21.

In addition to the federal aid, the State of Vermont provides categorical aid through the Agency of Education including, transportation, small schools grant, state-placed students, School Lunch and Breakfast programs, essential early education aid, technical education aid, and special education. This data is from the Agency of Education for FY21.

The source of funding for the categorical aid programs have different impacts on the Vermont taxpayer. The federal categorical aid is raised through federal taxes. In effect this lowers the Vermont education property tax rate because these program funds do not need to be raised by the state. The state categorical aid does impact the Vermont education property tax rate, because these funds must be raised internally to the state. Categorical aid reduces the tax rate at the local level because any categorical aid a district receives is subtracted from their education spending. Another way of saying this is that categorical aid is taken “off the top of the education fund”, which means that the yield must be set to raise enough tax revenue statewide through the education property tax. Therefore, the cost of the state categorical aid is spread-out across all taxpayers.

Figure 1: The total categorical aid to Vermont schools from federal and state sources.
*The state special education is not included because of the much higher scale of \$223 million dollars.

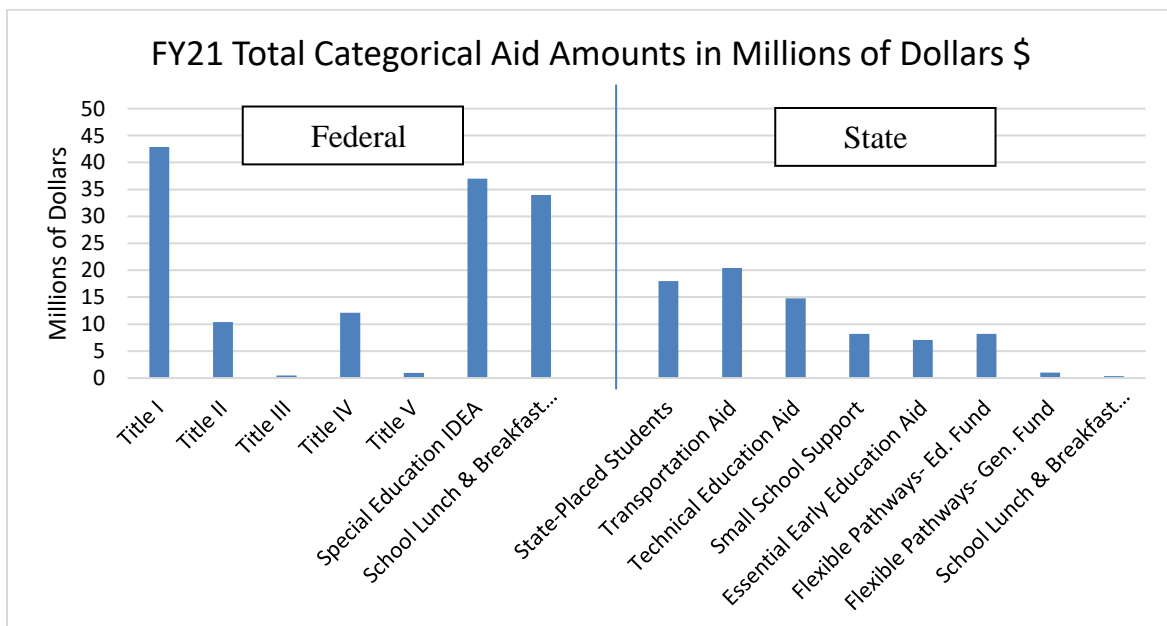


Table 1: Categorical aid amounts in FY21

Federal	Millions \$	State of Vermont	Millions \$
Title I	\$42.9	State-Placed Students	\$18.0
Title II	\$10.4	Transportation Aid	\$20.5
Title III	\$0.5	Technical Education Aid	\$14.8
Title IV	\$12.1	Small School Support	\$8.2
Title V	\$0.9	Essential Early Education Aid	\$7.0
Special Education IDEA	\$36.9	Flexible Pathways- Ed Fund	\$8.2
		Flexible Pathways- General Fund	\$1.0
School Lunch & Breakfast	\$34.0	School Lunch & Breakfast- General Fund	\$0.4
		Special Education Aid - State	\$223.7
Total	\$137.8	Total	\$301.8

Federal Categorical Aid Descriptions

- **Title 1:** This funding is to support low-income students, ages 5-17, to supplement and improve regular education programs in order to help students meet state standards. Students served by Title I funds include migrant children and youth; children and youth with limited English proficiency; children and youth who are homeless; children and youth who have disabilities; children and youth who are neglected, delinquent or at-risk; children in prekindergarten activities; and students who are in academic need. Students are identified annually through poverty estimates by the Census Bureau and state reported counts of students in local institutions for neglected or delinquent children, publicly-supported foster homes, and families receiving Temporary Assistance for Needy Families (TENF; this is 3 Squares Vermont locally). This program includes a “maintenance of effort” provision requiring districts to continue investing at least 90 percent of what they spent for the previous year in state and local funds for the current year.
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/student-support/federal-programs/consolidated-federal-programs/title-1a>
 - **More info at OESE:**
<https://www2.ed.gov/about/offices/list/oese/oss/technicalassistance/titleallocationformulastitleiconfppt22018.pdf>
- **Title IIA:** This funding is to support higher education and eligible partnerships to increase the number of teachers and other school leaders, provide low-income and minority students greater access to effective instruction, and improve the overall quality of education quality
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/student-support/federal-programs/consolidated-federal-programs/title-2a>

- **Title III:** This funding is to support English Language Learners (ELL) gain English language proficiency and academic achievement through technical assistance and professional learning opportunities for teachers.
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/student-support/federal-programs/english-learners>
 - **More info on Task Force website:**
https://lifo.vermont.gov/assets/Meetings/Task-Force-on-the-Implementation-of-the-Pupil-Weighting-Factors-Report/2021-07-29/0756fe9aea/ELL_District_Percent.pdf

- **Title IVA:** This funding is to support academic achievement of students and expand the capacity of schools. To increase the use of technology and digital literacy for all students.
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/student-support/federal-programs/consolidated-federal-programs/title-iva>

- **Title V:** This funding is to support higher education institutions and especially low income and minority students.
 - **More info at U.S. Department of Education:**
<https://www2.ed.gov/programs/ideshsi/title5legislation.pdf>

- **Special Education IDEA:** This funding is to support students with disabilities and to tailor education services to special education needs.
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/student-support/vermont-special-education>

State of Vermont Categorical Aid Descriptions

- **State Placed Students:** This funding is to support students who are placed outside of their school district by a state agency or a licensed child placement agency, or who are residing in a program for pregnant and parenting women, or are placed in a residential treatment facility by a state agency are considered "state-placed."
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/vermont-schools/school-operations/interagency-coordination#state-placed-students>

- **Transportation:** This funding is to support the transportation of students to and from school. The state of Vermont reimburses up to half of direct school districts for the cost of transporting students to and from school. There is additional funding for extraordinary transportation costs for rural schools where it is a challenge to transport students. This is a reimbursement program.

- **More info in Statute 16 V.S.A. § 4016:**
<https://legislature.vermont.gov/statutes/section/16/133/04016>
- **Technical Education:** This funding is to support the career and technical education centers which focus on technical knowledge, academic foundation and real-world experience. These centers are funded in part through categorical aid equivalent to the base education payment which is update annually; this year the value is \$10,571 per full time equivalent student.
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/student-learning/flexible-pathways/career-technical-education>
- **Small School Support:** This funding is to support small school districts operating at least one school are eligible for a small schools support grant if the average grade size is 20 or fewer or if they received a small school grant in FY20. In addition, merger support grants are included in this figure because many small school grants were converted into merger support grants.
- **Essential Early Education:** This funding is to support schools in operating early education programs for students aged 3 to 5 years.
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/student-support/early-education>
- **Flexible Pathways:** This funding is to support secondary education and creative learning. Programs include: dual enrollment, early college, work-based learning, career and technical education, high school completion, and blended virtual and in person learning opportunities.
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/student-learning/flexible-pathways>
- **Special Education Aid:** This funding is additional to the federal IDEA special education aid to support students with disabilities, including early childhood education. This is a reimbursement program.
 - **More info at Vermont Agency of Education:**
<https://education.vermont.gov/student-support/early-education>

For a complete resource, see the Agency of Education 2021 Budget Book:
<https://ljfo.vermont.gov/assets/Uploads/2393c93779/Education-budget-book-official-2021.pdf>