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Vermont's educational governance is distinguished by its small scale: as of 2025, there are 52 Supervisory Unions (SUs) overseeing 119 school districts, with an average size of just under 700 students. Under Act 73, the state contemplates requiring SUs (or merged school districts) to have approximately between 4,000 and 8,000 students. This effectively will compress the number of governance units to between 10 and 20.

Across the country, states use Education Service Agencies (ESAs), which are sometimes termed Intermediate Units, Educational Service Centers, Educational Service Units, or Boards of Cooperative Education Services (BOCES) depending on the state, as regional delivery vehicles so that small and mid-sized districts can access programs and operations they couldn't afford alone.[1] ESAs commonly run career & technical education centers, regional special-education programs and day-treatment sites, cooperative purchasing and transportation hubs, IT and data services, and large-scale professional development—all activities that gain from scale and centralized expertise.

By pooling demand and centralizing expensive, low-frequency services, ESAs lower per-student costs for participating districts and expand program offerings without every district building its own duplicative capacity. Research and practitioner summaries emphasize that the most effective ESAs deliver services more efficiently than single districts and enable access to programs otherwise unavailable locally; New York's BOCES and Pennsylvania's Intermediate Units are longstanding examples that leverage state aid, cooperative contracting, and shared facilities to do this at scale.

In Vermont, we call our ESAs Supervisory Unions. But we don't leverage them for their potential efficiencies of scale and expanded service outputs the same way that other states do. As noted above, there are only about two school districts for every SU, this is not an efficient or effective shared service model.

One driver of the Act 73 reform is the belief that Vermont's governance units are too small to capture meaningful administrative economies of scale. Too often this conversation focuses on school districts instead of SU's, where other states have found meaningful cost-savings through shared services.

Ben Kinsley
Interim Executive Director
Campaign for Vermont Prosperity

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[1] Education Service Agencies: Review of Selected/Related Literature – Association of Education Service Agencies, June 2021

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Finding Savings Through Shared Services in Vermont Schools

Vermont's current structure of 52 Supervisory Unions (SUs), each serving roughly two school districts, yields limited economies of scale in administration. This report examines how consolidating to approximately 15 regional ESAs (aligned with CTE centers) might generate cost savings, increase service scope, and improve resource allocation. This is the structure proposed in our policy recommendations released in March of this year, titled *A Pathway to Viable Education Transformation*.[2]

Drawing on national consolidation research, Vermont's recent legislative changes, and comparative models, we estimate potential savings, cautionary factors, and service-expansion opportunities.

We find that substantial, but not radical, savings are plausible, especially in administrative, procurement, and shared services domains. Further, aligning ESAs with CTE centers could also facilitate richer curricular offerings. However, savings are sensitive to assumptions about governance, efficiencies, and transition costs.

Background

Our policy proposal from March of 2025 proposed an ESA model that aligns with our Career and Technical Education (CTE) centers. This report explores that hypothesis. In particular, it addresses:

1. How Vermont's SU (ESA) scale compares with service-agency structures in other states
2. What additional services could shift to the ESA level (versus being provided at each district)
3. Estimates of cost savings from consolidation of the current 52 SUs down to 15 regional ones
4. The incremental benefits of aligning ESAs with CTE centers
5. Potential curricular and service expansion enabled by larger ESAs

We began by reviewing of consolidation theory and national empirical evidence, see Appendix I for a full list of these fundings.

[2] A Pathway to Viable Education Transformation – Campaign for Vermont Prosperity, March 2025

Economies of Scale and the Cost Function Approach

A foundational concept in education finance is a cost function relationship between total spending and number of students (holding student characteristics constant). Economists often model this curve as U-shaped distribution: as enrollment increases, average cost per pupil falls (economies of scale) until an equilibrium is reached; beyond that, further growth can yield diseconomies of scale (e.g. coordination complexity).[3] This could also be referred to as a goldilocks range or "sweet spot" in terms of district scale.

Thus, consolidation can yield savings when small governance units are below the "optimal point" at the bottom of the U-shaped distribution. However, as units become very large, marginal inefficiencies from bureaucracy, transport, or bureaucratic overhead may offset further gains.[4]

A review of consolidation research (e.g., "Review of the Research on District & School Consolidation") in Connecticut notes that while consolidation sometimes yields savings, the magnitude depends heavily on pre-existing scale, geography, and assumptions about what functions are centralized.[5]

Vermont's SU/ESA Landscape and Comparative Benchmarks

Vermont's Current Scale

- Vermont has 52 supervisory unions (SUs) supporting 119 school districts.
- Many SUs are small, around 1600 students on average.
- Average size of school districts is around 696 students. However, a significant number (about 40) are below the 300 student threshold that research as found to most benefit from shared administration.
- Under Act 73, the state aims to require new districts or SUs to enroll between 4,000 and 8,000 students, effectively reducing the number of governance entities to between 10 and 20.[6]

Because each SU currently has a limited number of students, many administrative functions are essentially duplicated across SUs. This includes superintendents and their staff as well as special education administrators. While some SUs do provide additional services, the only consistent service provided by SUs to districts is special education and chief executive (superintendent) functions.

Other states have service providers that sit above school districts in the education governance structure, but nearly all of them provide significantly more in terms of shared services that districts and schools can leverage.

If we consider SUs to be shared service providers in Vermont, they are considerably under-leveraged. This is true both in terms of scale and their potential for cost-savings through shared services.

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[3] See page 7: Review of the Research on District & School Consolidation – Connecticut School Finance Project, February 2019

[4] The Financial Effects of School Consolidation – Journal of Research in Rural Education, 1991

[5] Review of the Research on District & School Consolidation – Connecticut School Finance Project, February 2019

[6] How Vermont's Big Education Transformation Will Work – Vermont Public

Comparative Models: ESAs, BOCES, and Regional Units in Other States

Other states have long used intermediary agencies (ESAs, BOCES, regional districts) to aggregate services across districts. Some examples:

- **New York BOCES**: Boards of Cooperative Education Services (BOCES) allow multiple school districts to join together to provide shared programing (e.g., special education, technical courses). BOCES offer economies by pooling demand and reducing duplication.[7]
- **Maine Regional School Units (RSUs)**: In 2008, Maine restructured many small districts into RSUs to reduce administrative costs. However, some voters rejected consolidations over concerns about cost burdens (e.g. salary equalization) and loss of local control.[8]
- **Education Service Agencies (ESAs)**: Also called Regional ESAs (or RESAs), are used by the vast majority of states, including Massachusetts, Rhode Island, and North Carolina. They serve as a regional public entity that provides services and support to local school districts, such as professional development, special education resources, and administrative assistance

These models can offer lessons (positive and cautionary) for Vermont. For instance, the BOCES model is instructive: districts maintain local control but offload selected services to a shared agency to achieve scale and equity.

Why not district consolidation?

National literature is mixed on whether or not school district consolidation saves money. There is some evidence that it does for very small districts, but the benefits taper off after around 900 students.

A Vermont-specific study by Yale researcher Grace Miller found no substantial impact on per-pupil spending or its growth rate post-merger. Tax rates also remained largely unaffected, with a minor decrease observed only in the first year post-merger, likely due to financial incentives for consolidation.[9]

The Act 46 mergers led to significant shifts in budget allocations. Merged districts reduced spending on administrative support and contracted services by $386.87 and $2,168.60 per pupil, respectively. These savings were soaked up by increases to salaries and benefits ($1,121.13 per pupil), teacher and student supports ($374.27 per pupil), materials ($87.65 per pupil), and transportation ($166.14 per pupil). This reallocation represents 6.5% of the average budget for merged districts (meaning that 93.5% of spending remained unchanged).

One of the main reasons for increases in staffing costs is because teacher contracts were often leveled up to the highest rate in the new district (i.e. no one wanted to take a pay cut so the solution was to bring everyone up to the most generous compensation rate). Salaries and Benefits are one of

[7] Boards of Cooperative Educational Services – Wikipedia, October 2025
[8] Regional School Unit – Wikipedia, October 2025
[9] What We Can Learn From an Independent Analysis of Act 46 – Campaign for Vermont Prosperity, July 2025

the most significant diseconomies of scale when dealing with combining business units (in this case school districts).

While this dynamic is also challenging in the private sector, it is even more so in the public sector where staffing contracts and compensation are often public record. Mismatched pay scales are easy to identify in this environment and administrators often do not have the benefit of being able to equalize pay over time.

Miller's thesis offers valuable insights into the complex impacts of Vermont's school district mergers, highlighting their role in reallocating resources while underscoring challenges like diseconomies of scale, staffing costs, and community resistance. Her research found that, overall, districts that merged as a result of Act 46 spent an additional $81 per student over districts that did not.

An additional datapoint that directs us towards SU/ESA consolidation instead of district consolidation is a regression analysis of education data in Vermont. This analysis indicates that only 4% of the variation in per pupil spending can be explained by school district size. Comparatively, 16% can be explained by SU size.[10] This means that the value proposition is much stronger for combining business units and/or increasing scale at the SU/EAS level than at the district level.

The Vermont-specific research, when considered with the national literature and the overall spending impacts of Act 46 on the statewide Education Fund indicates that cost-savings from district consolidation are unlikely.

Potential Services to Shift Upward to ESAs

One key rationale for SU consolidation in Vermont is that many services now handled at the district (or SU) level could be centralized at the regional ESA level, leading to economies of scale. Some candidate services include:

1. **Administrative leadership (superintendents, CFO, HR, legal counsel)**
    - Instead of each SU having its own superintendent, a regional ESA could employ a single CEO or executive director, with deputies covering subregions.
2. **Business and finance services**
    - Payroll, benefits administration, auditing, accounts payable/receivable
    - Budget planning, forecasting, and compliance
    - Risk management and insurance purchasing
3. **Procurement, purchasing & supply chain**
    - Bulk purchasing of textbooks, technology, supplies

[10] Education Spending & Outcomes 2024 – Campaign for Vermont Prosperity, December 2024

- Bundled procurement (e.g. broadband)
- Vendor contracting and management
- *Note: one study showed bundling K-12 broadband purchases in New Jersey reduced per-Mbps internet costs by ~37% and increased bandwidth ~500%.*[11]

4. **Special education / student services coordination**
    - Shared specialized service provision (speech therapists, behavioral specialists, adaptive technology)
    - Centralized compliance, monitoring, legal, staffing
5. **IT services / technology infrastructure**
    - Network operations, helpdesk, cybersecurity, LMS administration, data systems, public websites, etc.
6. **Curricular specialization & program development**
    - Development of regional course offerings (e.g. advanced courses, foreign languages, arts, AP/IB)
    - Shared teacher development, instructional coaching, curriculum alignment
7. **Transportation planning and logistics**
    - Route optimization, fleet management, shared contracting
    - Coordination across districts to reduce redundancies
8. **Professional development, assessment, and data analytics**
    - Central analytics, assessment systems, teacher PD, instructional support
9. **Facilities, maintenance and capital planning**
    - Regional facilities oversight, energy management, preventive maintenance, pooling capital projects

By shifting these services upward to an ESA/SU level, individual districts may reduce duplication, reduce fixed cost burdens, leverage specialization, and negotiate better vendor terms.

[11] The Benefits from Bundling Demand in K-12 Broadband Procurement – Cornell University, September 2025

Estimated Savings by Moving to 15 ESAs in Vermont

We approached estimating the potential cost savings of the CTE-aligned ESA/SU model in two different ways. One drawing on national literature around potential cost-savings and one drawing on experiences from Act 46[12] and what services introduced savings, and which introduced new costs. These learnings were key in developing our original policy proposal[13] but were further leveraged here to estimate the potential savings.

Both models assume that additional services would be pushed up to the ESA/SU level, not just special education. However, when contemplating potential cost-saving measures, one must subtract or consider:

- **Transition costs**: severance, contracting, system integration, staff training, reorganization, legal costs, reassignments.
- **Salary equalization**: when integrating multiple business units, raising pay in lower-paying SUs to match higher pay scales may increase cost.
- **Capital and facility investments**: to consolidate operations, central office facilities may need upgrades or even acquisition of new office space.
- **Coordination overhead**: larger ESAs may need additional managerial layers, offsetting part of the savings.

A prudent estimate might assume transition and offset costs consume 25–40% of gross savings in the early years, declining over time. Thus, net first-year savings might be only 60–75% of the gross; in later years, 90–100%.

[12] What We Can Learn From an Independent Analysis of Act 46 – Campaign for Vermont Prosperity, July 2025
[13] A Pathway to Viable Education Transformation – Campaign for Vermont Prosperity, March 2025

Model I: Savings Based on Other States

Savings Rate Assumptions

The savings ranges in Model I are grounded in the empirical literature around education service delivery but also draw on typical GPO/IT consolidation savings found in the private sector. The scale effects from Duncombe & Yinger's findings are also accounted for; their research is some of the most often cited in this area.[14] Other studies and research on procurement savings and special-ed shared services are also factored in.

- **Administration (centralize superintendent / back office):** reorganization reduces duplicative leadership and back-office positions.[15]
    - Conservative estimate: 7% savings
    - Moderate estimate: 12% savings
    - Optimistic estimate: 20% savings
- **Procurement (cooperative purchasing / bundling / software licenses):** Recent bundled broadband research shows large cost-savings for specific items (up to 37%[16]) but we will assume this is an extreme for the purposes of this analysis and that a more reasonable assumption would be closer to half of that.[17]
    - Conservative estimate: 10% savings
    - Moderate estimate: 17.5% savings
    - Optimistic estimate: 25% savings
- **Transportation & Maintenance (route optimization and regional contracting):** Transportation can go either way (longer routes could also raise costs), so we used modest ranges compared to national sources.[18]
    - Conservative estimate: 15% savings
    - Moderate estimate: 20% savings
    - Optimistic estimate: 25% savings

[14] Does School District Consolidation Cust Costs? – Syracuse University, Maxwell School of Citizenship & Public Affairs
[15] The Grace Miller analysis found 6.5% savings from Act 46. Duncombe & Yinger found savings up to 22% for very small districts. Maine's consolidation efforts yielded a 12% reduction in administrative staff.
[16] See The Advantages of Group Purchasing - E&I, June 2024 and The Benefits from Bundling Demand in K-12 Broadband Procurement – Cornell University, September 2025
[17] Cooperative Purchasing Explained: How It Saves Schools and Institutions Time and Money – E&I, March 2025
[18] See Allies for Children and National School Transportation Association reports

- **Special Education (shared specialists, regional programs, fewer out-of-district placements):** Analysis of BOCES and other shared service providers show substantial savings in this area.[19]
    - Conservative estimate: 15% savings
    - Moderate estimate: 20% savings
    - Optimistic estimate: 25% savings
- **Curriculum & Training (shared professional development, regional specialists, curriculum coordination):** Shared coaches and centralized curriculum development reduce duplication.[20]
    - Conservative estimate: 10% savings
    - Moderate estimate: 17.5% savings
    - Optimistic estimate: 25% savings
- **Business & finance (payroll, benefits administration, purchasing card management):** Shared finance teams + centralized payroll save time, duplicative business management, and vendor fees. In the private sector, these are called Professional Employer Organizations (PEOs) with demonstrated cost-savings.[21]
    - Conservative estimate: 22% savings
    - Moderate estimate: 27% savings
    - Optimistic estimate: 32% savings

Savings Estimate

The literature indicates that cost-savings vary by category of expenditure. Thus, in order to estimate savings for Vermont, it is necessary to evaluate expenditure by category. Fortunately, the National Center for Education Statistics (NCES) provides the Common Core of Data report that captures financial data from school districts and ESAs from across the country.[22]

The most recent report available is from 2022 and contains data on 102 Vermont school districts and 23 supervisory unions. The report breaks down expenditures by category, which allows us to apply the estimated cost-savings.

NOTE: NCES does classify Vermont SUs as ESAs in this dataset

[19] Various analysis of BOCES impact on special education vary from 15-30+%. Sullivan County BOCES savings are likely most analogous to Vermont.
[20] A University of Wyoming study found a minimum of 35% cost savings from online PD. In person PD at scale would likely be less but still meaningful.
[21] The Bottom Line: What's the ROI of a PEO? – Justworks, January 2023
[22] Common Core of Date Files: 2021-22 District Level Finance Survey (F-33) – National Center for Education Statistics

For Supervisory Unions, the conservative estimates were applied to each category, except for special education and student support services. For these categories the moderate special education estimate was applied. This is because special education services are already provided at the SU level so the middle of the range was a more appropriate estimate. Student support services were included at this rate because the literature does not estimate this separately and it seems likely that the savings would be similar.

For purposes of this analysis, we assumed that all SU-level instructional staff were special educators as that is most commonly the case in Vermont.

For other spending categories, the conservative estimates were used because the size of most SUs are well above the 300-student threshold that Duncombe & Yinger found maximized cost-savings. For food services, we used the procurement savings estimate.

Table 1: SU Expenditures w/ Specific Cost-Savings

Category	SU Expenditures	% Projected	Scaled Savings
Instruction (E13)	$141,862,000	20.0%	$64,146,296
Support Services - Students (E17)	$46,011,000	20.0%	$20,804,974
Support Services - Instructional Staff (E07)	$21,221,000	17.5%	$8,396,135
Support Services - General Administration (E08)	$13,143,000	12.0%	$3,565,753
Support Services - School Administration (E09)	$15,687,000	12.0%	$4,255,951
Support Services - Operation and Maintenance of Plant (V40)	$4,458,000	20.0%	$2,015,791
Support Services - Student Transportation (V45)	$24,073,000	20.0%	$10,885,183
Support Services - Business/Central/Other (V90)	$22,454,000	27.0%	$13,706,703
Support Services - Nonspecified (V85)	$5,041,000	0.0%	$ -
Food Services (E11)	$13,852,000	17.5%	$5,480,574
Enterprise Operations (V60)	$324,000	0.0%	$ -
Other Elementary/Secondary (V65)	$898,000	0.0%	$ -
Non-Elementray/Secondary Expenditures (TNONELSE)	$409,000	0.0%	$ -
Total Capital Outlay Expenditures (TCAPOUT)	$5,041,000	0.0%	$ -
Payments to Other School Systems (Q11)	$13,326,000	0.0%	$ -
Total Expenditures (TOTALEXP)	*$ 341,836,000*		*$ 133,257,359*

Note: The savings projected here are scaled savings as the reported expenditures only represent 23 out of the 52 SUs. This assumes that the 23 SUs are representative of the entire state and the cost-savings are scaled to reflect that.

Applying the estimated savings based on the literature yields $133M in estimated savings from moving from the current 52 SUs to 15. Again, we can assume only 60% of those savings would materialize in year one, but then 90-100% would be realized annually by year 3 or 4.

We used this same methodology and applied it to districts. However, applying it at this level we assumed the optimistic savings rate in most categories because there is a greater difference in scale when providing these services through 15 regional service providers than 119 individual school districts.

Additionally, close to half of the districts who reported data were below the 300-student threshold where administrative cost savings are believed to be most significant. For these reasons, it is reasonable to expect that the savings would be on the higher end of the expected range.

It is also worth noting that we only included regular elementary, primary, and secondary schools for the purposes of this analysis. Technical Education Centers and other types of school districts were not included. Additionally, we assumed no cost-savings for instructional staff here. While some staffing reductions are possible as specialty programming is moved up to the ESA/SU level, the literature is not strong in this area so we have chosen to plan for no cost-savings here. Instead, we would assume that any savings in staffing costs would be re-invested in program expansion to achieve greater equity in access for students.

Table 2: SD Expenditures w/ Specific Cost-Savings

Category	SD Expenditures	% Projected	Scaled Savings
Instruction (E13)	$1,035,112,000	0.0%	$ -
Support Services - Students (E17)	$169,783,000	25.0%	$49,520,042
Support Services - Instructional Staff (E07)	$81,070,000	25.0%	$23,645,417
Support Services - General Administration (E08)	$24,197,000	20.0%	$5,645,967
Support Services - School Administration (E09)	$126,721,000	20.0%	$29,568,233
Support Services - Operation and Maintenance of Plant (V40)	$157,474,000	25.0%	$45,929,917
Support Services - Student Transportation (V45)	$45,851,000	25.0%	$13,373,208
Support Services - Business/Central/Other (V90)	$51,865,000	32.0%	$19,362,933
Food Services (E11)	$45,385,000	25.0%	$13,237,292
Enterprise Operations (V60)	$215,000	0.0%	$ -
Other Elementary/Secondary (V65)	$3,406,000	0.0%	$ -
Non-Elementray/Secondary Expenditures (TNONELSE)	$9,602,000	0.0%	$ -
Total Capital Outlay Expenditures (TCAPOUT)	$71,379,000	0.0%	$ -
Payments to Other School Systems (Q11)	$209,258,000	0.0%	$ -
Total Expenditures (TOTALEXP)	*$ 2,114,310,000*		*$ 200,283,008*

Note: The savings projected here are scaled savings as the reported expenditures only represent 102 out of the 119 school districts. This assumes that the districts sampled are representative of the entire state and the cost-savings are scaled to reflect of that.

Applying the estimated savings based on the literature yields $200M in annual cost-savings by aggressively pushing services up to an ESA level. Again, a large portion of these savings will not be realized in year one. Additionally, this assumes that a large range of services are moved up to this level. It may not be practical to move all these services all at once. We would expect it to take 5 years or more to fully realize these cost-savings on an annualized basis.

Combined, these two measures could save Vermonters up to $334 million on an annual basis. A moderate reduction in spending for our $2.4 billion education fund. Even more impressive is that these cost-savings could be realized while educational programing is expanded.

However, there is an important caveat to note. All of these expenditures were in 2022 dollars. This means that the savings are as well. The net result here is that the savings are likely understated to some degree because of this. If this plan were implemented, the savings would actually be applied to 2027 dollars or even future years, yielding savings that are higher than predicted here.

Model II: Savings Based on Act 46 Learnings

As a secondary approach to determining cost savings from regional shared service model, we looked at a report examining areas where Act 46 had both positive and negative impacts on education spending. The advantage of this approach is that it is specific to Vermont, however it does not account for as wide a range of services as Model I and is not specific to the ESA model, although some of the outcomes could be similar in such a model.

The Grace Miller report found that there were cost-savings specifically in administration ($387 per student) and contracted services ($2,169 per student).[23] Other areas saw significant increases in costs, such as salaries and benefits ($1,121 in added cost per student). This is largely due to the leveling up of staffing contracts as districts merged. There were also increases in student support services, materials and transportation.

If we assume that most of these diseconomies of scale are avoided in the ESA/SU model but that the same economies of scale around administration and contract services are realized then we can leverage this to estimate the savings from implementing 15 regional ESAs.

First, we should assume that these savings are in 2019 dollars. Most mergers were completed at this point and the earlier mergers tended to save more on the two items being considered here. In order to adjust the savings for current spending levels, we take the 2,432.6 million[24] in education spending projected for FY2026 (the current fiscal year) and compare it to the 1,655.4 million[25] in education spending from FY2019. This gives us an inflationary increase of 47%.

The latest publicly available data indicates 79,990 students are educated in Vermont Public Schools.[26] However this number is from 2023. If we assume that the general decline in enrollment has persisted at 1% per year, the actual number for FY2026 is likely closer to 77,614. Applying these adjusted savings to this student count yields $291M in savings.

[23] What We Can Learn From an Independent Analysis of Act 46 – Campaign for Vermont Prosperity, July 2025
[24] Education Fund Outlook for FY2026 – Vermont Joint Fiscal Office, July 2025
[25] Preliminary Education Fund Outlook for FY2021 – Vermont Joint Fiscal Office, July 2020
[26] FY25 Budget Book – Vermont Agency of Education, February 2024

Table 3: Savings Projections Based on Act 46 Findings

		FY2019		FY2026
Total Spending	$	1,655,400,000	$	2,432,600,000
Per Pupil Savings - Administration	$	386.87	$	568.51
Per Pupil Savings - Contracted Services	$	2,168.59	$	3,186.73
Student Count				77,614
Savings			*$*	*291,459,436*

The savings here are, again, not insignificant. They could also be somewhat understated because they likely don't account for special education, bulk procurement, or professional development savings from a shared services model.

Findings Related to Cost Savings

From the findings above, we can reasonably expect cost savings from the CTE-aligned Education Service Agency (ESA) model to be between $291 and $334 million. Compared against the $2,433 million in the FY2026 expenditures from the Education Fund, this represents up to a 14% reduction in spending.

We find this 14% savings prediction reasonable as previous findings from a data-regression study of Vermont education data found that 16% of the variation in per-pupil spending could be explained by the size of the SU/ESA.[27] Scaling these units up would likely eliminate most of that variation in per pupil expenditure as more of these business units begin operating at scale.

This reduction nearly erases the increase Vermonters experienced in the FY2025 budget that was the impetus for Act 73. While it does not roll back the clock more than a year or two in terms of overall spending on education, it is nonetheless still meaningful cost-savings and creates a framework for more efficient and effective delivery of classroom education into the future.

[27] Education Spending & Outcomes 2024 – Campaign for Vermont Prosperity, December 2024

Academic Benefits

The ESA/SU model we have proposed creates *functional alignment*—i.e., aligning SU boundaries to CTE districts to share certain services (especially career/technical programming, workforce partnerships, gifted & talented programming, and specialized staff) without consolidating district governance and school boards.

Possible Benefits

1. **Shared CTE infrastructure and staffing**
    - Joint planning, shared courses, specialized labs, industry partnership
    - More efficient use of specialized facilities and faculty
    - Reduced barriers of entry for CTE
2. **Cross-district program coordination**
    - Pooling students across neighboring districts increases enrollment viability for specialized courses
    - Shared scheduling, rotations, student transport
3. **Better alignment of career pathway planning**
    - Coordinated longitudinal student courses from middle to high school
    - More seamless transition between academic and technical tracks
4. **Centralized marketing, admissions, and student support**
    - One intake or guidance team for the region
    - Shared counseling, career guidance, apprentice programs
5. **Administrative synergies**
    - Partial sharing of business services, procurement, IT across aligned districts
    - Shared staff for CTE-adjacent services (e.g. health, equipment maintenance, safety)

These benefits, even without consolidating governance, can generate cost avoidance and qualitative improvement.

Conclusions

Vermont's current education governance model—with 52 Supervisory Unions overseeing 119 school districts—produces limited economies of scale and substantial administrative duplication. The data and modeling in this report indicate that consolidating Supervisory Unions (SUs) into approximately 15 regional Education Service Agencies (ESAs), aligned with Career and Technical Education (CTE) centers, could generate meaningful efficiencies and programmatic benefits.

Based on both national research and Vermont-specific financial data, potential savings range from **$291 million to $334 million annually**, representing **up to 14% of statewide education spending**. These savings would primarily arise from streamlining administrative structures, centralizing business and financial services, and pooling procurement, special education, transportation, and IT resources.

Importantly, these efficiencies can be achieved **without reducing classroom instruction or student programs**. In fact, regionalization could *expand* opportunities for students through shared access to advanced coursework, arts and language programs, and specialized staff. Aligning ESAs with existing CTE centers strengthens career readiness pipelines and supports a more equitable distribution of educational offerings statewide.

While district consolidation presents a tempting pathway, the experience of Act 46 highlights that the process must be carefully managed to avoid diseconomies of scale and stakeholder resistance. The largest risks include transition costs, pay scale equalization, and community concerns about loss of local control. However, by focusing on *shared services* rather than *district mergers*, these challenges can be mitigated.

Ultimately, the findings suggest that Vermont can achieve both **fiscal sustainability** and **programmatic improvement** through a well-designed ESA framework—one that retains local governance while leveraging regional capacity.

Recommended Next Steps

1. **Develop a Statewide Transition and Implementation Plan:**
    - Create a phased roadmap to move from 52 SUs to 15 ESAs over the next 2-3 years.
    - Identify transitional funding sources (e.g., temporary state aid, federal grants) to offset short-term costs in IT migration, staff training, and contract equalization.
2. **Establish Governance and Accountability Frameworks:**
    - Define ESA governance structures that balance regional efficiency with local representation.
    - Require annual reporting of cost-savings, service performance, and equity metrics to the Agency of Education.
3. **Codify Shared-Service Mandates and Incentives:**
    - Enact legislation that requires or incentivizes districts to procure certain services (procurement, transportation, business operations, etc.) through ESAs.

- Introduce “shared service credits” or direct funding bonuses for districts that participate early.

4. **Invest in Data and Systems Integration:**
    - Standardize financial, HR, and student data systems across districts to facilitate standardization.
    - Create a shared state platform for finance, procurement, and reporting to eliminate redundant systems.
5. **Communications and Stakeholder Engagement:**
    - Proactively engage educators, local boards, and taxpayers with transparent data on cost-savings and reinvestment opportunities.
    - Emphasize that local school control and identity remain intact, while administrative services become regionalized.
6. **Reinvest a Portion of Savings in Instructional Quality:**
    - Dedicate part of realized efficiencies to expand foreign language, arts, and AP/dual-enrollment courses statewide.
    - Support ongoing teacher professional development and accountability through the new ESA network.

Appendix A – Literature Review

Empirical Findings from District Consolidation Studies

- Duncombe & Yinger (2001) studied rural New York consolidations (1985–1997). They found that combining two 300-pupil districts resulted in operating cost reductions of ~22%, while combining two 1,500-pupil districts yielded ~8% savings. Their conclusion was that "state aid to cover the adjustment costs of consolidation appears to be warranted, but only in relatively small districts."[28]
    - Diminishing returns were found for mergers of districts larger than 300, with savings dropping to less than 10% for districts of 900 students or larger.
    - However, these savings applied only to operating costs; the authors found no strong evidence of capital cost savings for larger consolidations.
    - Authors later cautioned that "Even though consolidation-induced cost savings may be large for an individual district, they are inevitably small for the state as a whole because only the smallest districts in the state are involved."
- Some regional studies show ideal district sizes between 1500-3000 students creating administrative cost-savings while avoiding diseconomies of scale.
    - A 2010 Connecticut study found the ideal district size for Connecticut to be slightly less than 2800 students.[29]
    - A 2014 analysis of Massachusetts school districts indicated an optimal size of somewhere near 3,000 students.[30]
    - A 2007 Duncombe & Yinger report found ideal district sizes for New York to be between 1,500-3,000 students.[31]
- A Texas analysis of proposed district consolidation concluded that "as the size of the consolidated district increases past 3,200 students, costs are expected to rise, not fall."[32]
- The "Financial Effects of Consolidation" (Streifel et al.) emphasized that larger consolidated units may incur diseconomies (e.g. monitoring, complexity, governance overhead) that partly offset gains.[33]
    - Some of these diseconomies of scale include:
        - Increased costs of transportation – the student found a 5% increase in transportation costs among merged districts.

[28] Does School District Consolidation Cust Costs? – Syracuse University, Maxwell School of Citizenship & Public Affairs
[29] Heffley, D., & Bekaroglu, C. (2010). Getting More From Less: Measuring Efficiency in Connecticut High School Districts
[30] Nguyen-Hoang, P., & Yinger, J. (2014). Education Finance Reform, Local Behavior, and Student Performance in Massachusetts. Journal of Education Finance, 39(4), 297-322.
[31] Duncombe, W., & Yinger, J. (2007). Does District Consolidation Cut Costs?
[32] Anticipating the Consequences of School District Consolidation in Major Metropolitan Areas – Executive Summary
[33] The Financial Effects of Consolidation – Journal of Research in Rural Education, Winter 1991, Vol. 7, No. 2, pp. 13-20

        - Higher rates of vandalism and reduced community connections
            - The report cited as a counterpoint to "bigger is better" when it comes to school governance, “the New York City School District decentralized its school system from one district into 32 districts. The advantages realized from this change include improved student achievement and increased community support (Lederman, Frankl, & Baum, 1987; Rogers, 1981)”
            - A 2024 MassInc report also highlighted some of the intangible benefits of strong connections between schools and their communities.[34]
        - Higher Construction Costs and Lack of school bond issue support.
            - The report determined that “consolidation often results in additional costs for capital expenditures due to the need for larger facilities (Sher & Tompkins, 1977).”
            - Additionally, they concluded that “maintaining buildings at less than operational capacity may be far less expensive than the costs of upgrading facilities in the receiving district to accommodate an increased number of students (Jewell, 1989).”
            - The report found a 241% increase in capital project spending among merged districts.
        - More specialized staff to offer the promised programs (Sher & Tompkins, 1977)
    - The only significant cost-savings found when comparing consolidations across a number of districts over time was in administration, which showed about a 20% reduction.
    - Overall, the found that spending per pupil increased 3% among districts that consolidated.
    - They concluded that “Recent findings have shown that consolidated school districts incurred no overall fiscal advantages while possibly sacrificing both student achievement and community support.”
- In a study involving the 50 states and the District of Columbia, Jewell (1989) found no significant relationship between costs per pupil and enrollment. It was also discovered that 80% of the variation in costs was related to the two factors of teacher salaries and pupil teacher ratios.
- A Connecticut School Finance Project policy brief on Vermont’s consolidation history notes that Act 46 (2015) and Act 49 (2017) led to some district mergers, but overall, evidence of systemic cost reduction in Vermont is mixed.[35]

[34] The Massachusetts School Centered Neighborhood Development Playbook – MassInc, October 2024

[35] The Research on District Consolidation & Vermont’s Recent Efforts – Connecticut School Finance Project, December 2017

- The brief also noted that “there is not a robust body of research on the effect of school district consolidations on the academic achievement of students.”
- Further, the brief warns that at the state level, cost savings are modest because only smallest districts consolidate. i.e. the majority of students would not see any benefit from consolidation and because small districts do not make up a significant portion of education spending the cost savings would be minimal.

In summary, the literature suggests that some savings are possible from consolidation for the very smallest districts (<300 students). However, the Vermont average, post Act 46, is more than twice that size and even the median districts size exceeds this threshold by around 30%.

This research, combined with learnings from Act 46, would indicate little if any savings could be gained from district consolidation.

The literature on savings from shared services provided through ESAs, on the other hand, are well documented. This method of service delivery also avoids the diseconomies of scale observed from district consolidation.