



TO: House Education Committee

FROM: Vermont School Boards Association

RE: Cost Drivers in School District Budgets/Strategies for FY2025 and Beyond

DATE: February 22, 2024

Good morning. My name is Sue Ceglowski and I am the Executive Director of the Vermont School Boards Association. Thank you for inviting school board members to testify on cost drivers in school budgets and strategies for FY2025 and beyond. We consider the topic of today's testimony to be critically important to the future of public education in Vermont and we are committed to partnering with you to strengthen and support the education system.

There are four school board members with me today and they will provide most of the testimony. I would like to introduce them now: Flor Diaz Smith (VSBA President and Chair of the Washington Central Unified Union School District School Board), Neil Odell (VSBA Past President and Member of the Norwich School Board and the SAU 70 Interstate School District Board), Mark Clough (VSBA Board member and Chair of the Peacham School Board) and Sonya Spaulding (VSBA Board member and Member of the Barre Unified Union School District Board).

Before they get started, I wanted to provide the foundation for today's discussion: the obligation for providing public education belongs to the state. The Vermont Supreme Court was very clear about that in 1997 in the *Brigham* case. *Brigham v. State*, 166 Vt. 246, 259, 692 A.2d 384, 392 (1997). The Legislature has recognized through various statutes the importance of local control and decision making over a district's governance but ultimately the obligation for providing public education rests with the state - which means that the Legislature has significant control and responsibility in shaping the future of Vermont's education system.

Today, you will hear from school board members about the most significant education cost drivers we have identified in collaboration with the Vermont Superintendents Association, the Vermont Principals' Association and the Vermont Association of School Business Officials. We have not included inflation in this list (although it is a major cost driver in school district budgets this year) because our national economy is largely outside of the control of any one state.

Today's testimony falls into four buckets: (1) cost drivers within school district budgets that could be influenced by the Legislature, (2) cost drivers created by the Legislature's use of the Education Fund to fund programs, (3) cost drivers created by legislation containing unfunded mandates and (4) the importance of state level leadership for education.

We'll start with bucket 1: cost drivers in school district budgets which could be influenced by the Legislature: there are six areas within this bucket which will be covered by Neil, Flor, Mark and Sonya: healthcare, staff-to-student ratios, school facilities, special education, mental health needs of students, and preK and afterschool.

Cost Drivers in School District Budgets Which Could Be Influenced By Legislature:

1. School Employees' Salaries, Wages and Health Benefits Constitute Approximately 80% of school district budgets.

A lot of the discussion around teacher healthcare costs and the dramatic increases over the last few years has typically been framed by the notion that this is a systemic healthcare issue and until that problem is solved there's nothing we can do about these rising healthcare costs.

That sentiment is only partially correct. There are aspects of the bargaining framework that was put in place that have contributed to year over year double digit growth and those are things that you can absolutely change in legislation this session.

Approximately 80% of school district budgets are salaries and benefits and health benefits, in particular, are a major cost driver in school district budgets. The move to high deductible plans as well as the move to statewide collective bargaining was supposed to slow the rate of growth in the cost of these benefits. As you all have heard from a number of constituents, that did not happen and the most recent increase is 16.4%.

The current level of HRA funding - which was determined through the statewide bargaining process - combined with the plan design means the

health plans provided to public school employees by VEHI have actuarial values of between 92% and 98%. Described another way, public school employees are responsible for between 2% and 8% of their claim costs. The lion's share of the balance - over 90% - is paid for by taxpayers. Health plans are typically categorized in the industry by metallic levels. The VEHI health plans, with actuarial values over 92%, are considered Platinum Plans.

The statewide negotiations process, as currently structured, has not been successful in slowing the rate of growth of the cost of school employees health benefits. Sue Ceglowski provided the Committee with [testimony on the existing process for negotiations on January 4, 2024](#). These are some of the proposals for changes to that process:

- i. A little history; in 2021 two competing bills for changes to the negotiations process came before the legislature for consideration. The VSBA supported [H.63 of 2021](#) which was not enacted. Instead, the Legislature enacted H.81 of 2021 which was championed by the Vermont-NEA. The proposals below originated in H.63 of 2021 and remain as needed changes to the negotiations process which begins again in April of this year.
 1. *During arbitration, require each side to submit a full cost estimate for the full term of the proposal with a breakdown of costs borne by employers and costs borne by employees on a statewide basis.* The language in current law (16 V.S.A. Section 2105(b)(3)(A) does not require submission of this information on a statewide basis.
 2. *Require the arbitrator or arbitrators to determine which of the two submissions most appropriately balances appropriate access to health care benefits and reasonable cost containment to ensure the financial sustainability of the plan.* The language in current law (16 V.S.A. Section 2105(b)(3)(B) does not require the arbitrators to conduct this balancing analysis to ensure the financial stability of the plan.
 3. *Require the arbitrator or arbitrators to give weight to the actuarial value of the health benefits for the full term of the award proposed by each party as compared to health plans available through Vermont Health Connect.* The language in current law (16 V.S.A. Section 2105(b)(3)(B)(i)-(v)) does not

require the arbitrators to give weight to the actuarial value of the health benefits.

4. *Require the arbitrator or arbitrators to give weight to the percentage increase or decrease in education spending that is likely to occur under either party's proposal for the full term of the award as compared to overall economic growth for the State of Vermont.* The language in current law (16 V.S.A. Section 2105(b)(3)(B)(i)-(v)) does not require the arbitrators to give weight to the percentage increase or decrease in education spending that is likely to occur as compared to the overall economic growth for the State of Vermont.
5. *Require the arbitrator's decision to include the full cost estimates for the full term of the award for each of the last best offers submitted by the parties, including a breakdown of costs borne by employers and costs borne by employees on a statewide basis.* The language in current law (16 V.S.A. Section 2105(b)(4)) does not contain this requirement.

ii. In addition to those suggested changes I also want to provide support to ideas based on [testimony the Employer Commissioners provided to House Ed in January](#)

1. We should re-structure the bargaining Commission with the goal of creating an engaged group that includes a broader group of stakeholders who have an interest in the outcome of these negotiations and who will work together toward sustainable, high quality healthcare coverage and overall wellness for our public school employees at a cost affordable to our tax-paying public.
 - a. Alter the composition of the Commission to include more neutral voices, especially those with experience in healthcare.
 - b. Currently, the Legislature has delegated authority to the VSBA and the VT-NEA to select commissioners, but there is no reason why the Legislature could not add other organizations to the mix. This approach might achieve a more collective process and a collaborative agreement rather than an arbitration award.
 - c. The addition of neutral members to the Commission creates an incentive for the employer and employee

commissioners to actually engage in meaningful deliberations.

2. Allow the arbitration panel to create an award based on mixing and matching the two proposals presented as well as introducing any original thoughts the panel finds reasonable based on the evidence presented in the fact-finder's report and during the arbitration hearings. The current law requires that the arbitrator select either the employee's final offer or the employer's final offer. This current "winner takes all" model impedes both sides from proposing meaningful changes for fear of losing everything.
 3. Expand the Commission's focus to include a collective response to the unsustainable growth in healthcare costs since it was launched in 2018.
 - a. Since the creation of the Commission, premiums for the most popular healthcare plan, the Family Gold CDHP, have increased by 110%. During that same period the Consumer Price Index has risen by only 35%. The skyrocketing cost of healthcare benefits is unsustainable.
 - b. The total annual premium cost of the Family Gold CDHP in FY18 was \$17,394. In the following years, premiums have increased at an average annual rate of 11.2%. In FY25, the premiums for this same healthcare plan will cost \$36,548. At the current level of growth, the Family Gold CDHP in FY30 will rise to \$62,142 – a 257% increase in just 12 years. FY31's premium will be just shy of \$70,000. And these numbers do not include HRAs, HSAs, or out-of-pocket payments for healthcare service. When those amounts are added in, obviously the cost only goes higher.
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2. Staff to Student Ratios - As indicated earlier, school employees' salaries, wages and health benefits constitute approximately 80% of school district budgets. In 2019, the House and Senate Education Committees received a [Report on Student-to-Staff Ratios](#) from a task force required by [Act 11 of the Special Session of 2018](#). The task force identified three recommendations for the General Assembly's consideration.

- a. The task force recommended that the General Assembly not include in statute specific thresholds or benchmarks for staff-to-student count ratios for FY 2021. Rather, the report provided a basis for further discussion and deliberation on the part of state and local policymakers, administrators, and educators statewide.
- b. The Task force recommended that the Vermont Agency of Education compute and report on an annual basis the staffing ratios included in the report. The task force further recommended that this information should be reported by SU/SD as well as according to the SU/SD grouping categories included in the report and noted that the information could be presented on the Agency's existing dashboard of indicators publicized for SU/SDs. In this recommendation, the task force emphasized that *an ongoing understanding of staffing arrangements, particularly in light of ongoing changes in educational governance, is essential.*
- c. The task force recommended additional research on staff-to-student ratios in schools with geographically-proximate independent schools and in SU/SDs with expanded school choice options. The task force said particular consideration should be given to the implication of enrollment patterns on student-teacher ratios (general and special education) and student support staff ratios.

As far as we know, the recommendations in the report have not been implemented. The report is linked in our written testimony and we think it would be time well spent for all of us to review it and commit to working on this important lever in controlling education costs.

Additionally, the VSBA recommends the creation of a stakeholder task force to explore the advantages and disadvantages of establishing a state-funded initiative in support of early or "on-time" retirement. Two conditions of a district's participation in the initiative would be a commitment to meet staff to student ratio targets by reducing total personnel through the retirement program, and a commitment to sustain these savings through future budgeting processes.

Finally, it is important to get everyone on the same page when we talk about ratios so we can compare apples to apples. We could think about creating Incentives to ensure staffing resources are consistent with VT Education Quality Standards. EQS describes Vermont's requirements for appropriately resourced schools in order to provide quality education. We need to have enough kids in a classroom for them to be able to make friends, take risks, and learn. We need to lean in with class size rather than overall staff to student ratios.

3. School Facilities - This committee has received detailed testimony from Jill Briggs Campbell and Bob Donahue on the [condition of school facilities](#), the [School Construction Aid Task Force Report](#), and the [recommendations of the Task Force](#). A key takeaway from that testimony is that there are immediate needs involving failed systems or issues of health, safety and security that should be addressed now. To begin addressing these needs and take pressure off of school budgets, we recommend establishing a school facilities emergency grant fund with a minimum of 30 million dollars allocated and with the fund taking applications beginning on July 1. Such a grant program could address immediate capital needs and provide support to school districts in a manner that doesn't create property tax implications for the Education Fund or transfer that burden to other school districts.
4. Special Education Costs - In 2018, the Legislature passed Act 173 which changed special education funding based on studies of education funding and practice. Act 173 moved Vermont from a reimbursement model of funding special education to a census based funding model. Act 173 cited the following limitations of the reimbursement model it eliminated: (1) it is administratively costly for the State and localities; (2) it is misaligned with policy priorities, particularly with regard to the delivery of a multitiered system of supports and positive behavioral interventions and supports; (3) it creates misplaced incentives for student identification, categorization, and placement; (4) it discourages cost containment; and (5) it is unpredictable and lacks transparency.

In addition to changing the funding model for special education, Act 173 changed the model for delivery of services to students, including provision of additional instructional time (rather than interventions) to students who struggle and ensuring students who struggle receive all instruction from highly skilled teachers.

Act 173's changes in the models for delivery of services and funding was a significant change for school systems. Moving away from the reimbursement model resulted in decreased special education funding for some school districts. That decreased revenue may be increasing special education costs in the budgets of those school districts. Additionally, Act 173 only changed the funding model for public schools. Private schools receiving public tuition continue to receive reimbursement for special education which is paid through school district budgets. With all of these moving parts and the complexity of this law, it is important to take a look at how it is working from both a funding and a delivery perspective.

5. Mental Health Needs of Students - Children and youth nationwide are seeing a surge in mental health challenges. Vermont is no exception. [Testimony to this Committee from the Vermont Principals' Association on February 1](#) outlines why the mental health of students is at the top of the list of concerns for principals, and other decision makers in the district. 1. The increase in mental health needs for students has become a driver in increased costs due to the need to provide direct support to students. The growing mental health needs of students is having a domino effect in our schools.

First, a student with mental health needs may not be able to directly access their education, and in turn, this may have an impact on the ability of the other students in the class to access their education.

Second, we are continuing to have staffing shortages, which compound both the mental health of the students by not having enough coverage for all student needs, as well as causing burnout and resignations by staff who are being asked to do more and more.

Third, there is a decrease in support from outside agencies that are also facing staff shortages. We find that we are often pulling from the same pool of candidates for behavior and social-emotional support positions, making it more difficult for both our district and the outside agencies to find an adequate and qualified number of behavior and mental health professionals. This means more students are not getting the scope of services they may need.

And, finally, when a student needs more intense support that cannot be provided in school, we look to an outside placement. However, due to the increase in student mental health needs in many districts, there are no openings and very long wait lists for outside placement. This means that students who may be better served outside the school don't have anywhere to go, so we have to manage as best as we can in-house.

Students are struggling, teachers are struggling, schools and districts are struggling and the outside agencies are maxed out. And, we're not sure if there is any end in sight.

One of the reasons we are seeing a bigger increase in costs this year is through the elimination of ESSER funds. Although we have always understood the sunset of these funds, we had high hopes that we would be able to eliminate or absorb positions through attrition. That is not the case. We still need to keep

people like social workers, mental health professionals, and restorative classroom teachers in the budget.

In addition, we are seeing an increase in our budget for next year because we have included another alternative program in our budget to build capacity in-house to address some of the mental health needs of our elementary students. We are hopeful that our budget will be approved and we can begin to advertise and hire for this new program. But, that is all on hold until we know we have the funds to move forward. And, even with building capacity in our schools, we recognize that we are not able to provide full wrap-around services that may be more productive and successful for the student and their family than other outside agencies are able to provide.

To begin addressing this critical issue, we recommend creating a special legislative committee to investigate and report on the transfer of the obligation for mental health services to schools to determine the magnitude and effects of the transfer, and to quantify all costs the Education Fund bears. Also, the committee should answer the question of the most appropriate place to locate those services.

6. PreK and Afterschool - We recommend ceasing any current administration/legislative efforts to remove dedicated revenues from the Education Fund (after school program funds) and impose a prohibition on any similar future efforts by the administration/legislature. Accountability matters and we know that we can't enforce our discriminatory statutes on private providers. Let's help strengthen the existing programs and create opportunities for new ones through other partnerships and most importantly guarantee that ALL kids will be served, especially our kids and families that we are hoping to lift from poverty.

Cost Drivers Created By Legislature's Use of Education Fund to Fund Programs:

We are now moving on to Bucket 2: cost drivers created by the Legislature's use of the Education Fund to fund programs. It's important to understand that when the Legislature utilizes the Education Fund in this way, it has an impact on taxpayers' property tax burden. That's because the funds for statewide programs such as universal school meals and PCB testing, mitigation and remediation are no longer available to support school budgets. The impact is a lower yield in the education funding formula and higher property taxes.

1. Universal Meals - Let's take universal school meals as an example. VSBA advocated for funding the universal meals program through the General Fund.

We continue to believe that this type of expense should be supported by the General Fund. Therefore, we hope you'll consider moving the cost of the universal school meals program (estimated at 26.5 million) to the General Fund - or because this program is now part of the education delivery system creating a dedicated source of funds that is not the property tax to support the program (for example the rooms and meals tax).

2. PCB Testing, Mitigation and Remediation - Along the same lines, the Legislature created a PCB program for schools, using the Education Fund to start the program without a plan for how completion of the program will be funded. Whether completion of the program comes off the top of the Education Fund or is left to individual school district budgets, it will be a huge hit for property tax payers. That's why we recommend pausing the PCB testing program until such time as it can be fully wrapped into a school construction aid program. PCB remediation and other environmental program requirements should be integrated with the capital investment in school facilities in order to use taxpayer dollars efficiently and wisely. Additionally, all PCB program requirements imposed by the State must be fully funded by the State in accordance with Act 78 of 2023. The funding must not be derived through the property tax.
3. Moving forward, projects of the General Assembly (universal school meals, PCBs for example) of the General assembly that involve the Education Fund must come with a non-property tax dedicated revenue source - property taxes cannot be relied on as a one time or ongoing source for these projects.

Cost Drivers Created By Legislation Containing Unfunded Mandates:

We are now moving to bucket 3: cost drivers created by legislation containing unfunded mandates.

1. There are many examples of this type of legislation and I will not attempt to name them all. Here are a few from recent years: In 2019, the Legislature passed a Farm to School bill which contained a requirement to purchase a certain amount of local foods and in 2021 the miscellaneous education bill established a requirement for schools to provide menstrual products at no cost.
2. We are not saying these are bad initiatives. What we are saying is that these initiatives and many more like them all add up to more money in school district budgets and legislators should carefully weigh the impacts of pushing unfunded mandates onto schools. It is very disheartening as a school board member to do what the legislature requires in terms of unfunded mandates and then be blamed by legislators for increasing the budget by too much. We'll now move on to cover bucket number 4: state level leadership for education.

State Level Leadership for Education:

We are at a critical juncture for public education in Vermont. The issues we have identified won't be addressed without state level leadership. We make the following recommendations:

1. Establish a commission on the future funding and organization of Vermont's education delivery system. The commission should be composed of state and local officials, with a majority of members selected by the VSBA, VSA, VPA, VASBO and Vermont-NEA.
2. Create an education finance joint oversight board comprising legislators, administration and local school officials to provide year round oversight of the administration of Education Fund dollars to assure strong administration, management and utilization of the Fund as well as any federal funds managed by the Agency of Education.
3. The General Assembly must ensure that the next Secretary of Education is experienced, competent and pro public education.
4. Sufficiently fund and staff the Agency of Education in order to provide support schools need in the most effective manner possible. This point extends to prevention of harassment and bullying as well as implementation of state initiatives such as Act 173, literacy goals, useful data, CTE, accountability and more.
5. The Legislature should require performance and management audits of the Vermont Agency of Education
6. The General Assembly must lead by bringing Vermont's town tuition program into compliance with the U.S. Supreme Court's ruling in the Carson v. Makin without violating the Compelled Support Clause in Article III of Chapter I of the Vermont Constitution. This parallel system of education is draining resources from Vermont's public education system in a way that is not sustainable. Do we have the courage to keep standing up for public education in order to uphold and preserve our values and beliefs? If we want to see our democracy thrive and our children grow into thoughtful, contributing members of society, we have a moral obligation to leverage and support public education. Accountability for the use of public dollars matters not only to make a difference here in Vermont, but to set an example for the country.

Thank you for providing us with the time to highlight major cost drivers in education and ideas for addressing them in FY25 and beyond. VSBA has several resolutions on the books addressing the need for cost containment and we are committed to working with you on this important issue.