TESTIMONY PROVIDED TO: Senate Finance Committee
FROM: Mark Tucker, Superintendent, Caledonia Central Supervisory Union
TOPIC: Cost Drivers for School Budget Increases
Date: February 20, 2024

Thank you, Senator Cummings, for the invitation. I am Mark Tucker, Superintendent for Caledonia Central SU, serving seven schools in Caledonia County and northeastern Washington County. I was asked to speak with you today about budget increase cost drivers, and I am happy to share the experience of the five districts and seven schools that I serve.

This is my seventh and last year as a superintendent responsible for creating, explaining and supporting school budgets in CCSU. What I have learned over the years is that school budget development is always an exercise in sausage-making; this year (FY25), making that sausage, and keeping it edible in our communities, has been especially challenging because we have to add a number of unpalatable ingredients to the basic recipe. One such ingredient is the Act 127 Pupil Weighting formula roll-out, which on its face benefits the rural districts that I serve, has caused no end of confusion as the Legislature is in the midst of correcting a well-intended but poorly worded adjustment aimed at softening the blow felt by formerly-advantaged districts that lost pupil count. Another is that AOE was tardy with the release of the new pupil counts, and really didn't know until January what our pupil counts would be. A third new ingredient is that while the Tax Department met its statutory obligation to provide FY25 CLA numbers on January 1st, we had for years been "spoiled" because they were able to release these numbers in early December; we chewed our nails off for three weeks waiting for this important datapoint, expecting these numbers to drop, only to be shocked by how much they did. Lastly, after a couple of years of tax rate buy-downs via high Yield rates, a precipitous drop in that important rate – adjusted in part due to changes to the pupil weighting method and in part due to declining revenue from non-property tax sources – added to the upward pressure on Homestead Tax Rates. Any one of this would have been problematic; all of them occurring at the same time has made for a stressful budget cycle, to put it mildly.

All of this uncertainty unfolded during the heart of our budget process. The initial Yield Rate from the Dec 1st letter was adjusted downward shortly after the Legislature came back into session, but is now projected to go up again as a result from the proposed correction to Act 127. In so-called "normal years," we anticipate stability in the Yield Rate from Dec 1st until the day before you all adjourn, when you typically find a bit more money for the Education Fund, raise the Yield Rate, and the education tax rate drops between the time the budgets are passed and the tax bills go out. It is difficult in any year to explain to our taxpayers how we arrive at projected tax rates, but this is not a normal year and while we have set our education spending for FY25 in all five CCSU districts, our presentation of the tax impact in informational meetings before election dates will be in flux right up until the day of the meetings.

I want to pause for a moment to say something about CLA rates. We hear from our taxpayers, and you hear from your constituents, that the dramatic increases in homestead tax rates are unacceptable. Act 127 introduced a new term to our tax rate discussion through the soon-to-be eliminated 5% tax cap – the pre-CLA tax rate. Technically, there has always been a pre-CLA rate, I suppose, but it just didn't factor into our discussions. Now, I think it serves as a useful illustration of how the dramatically decreasing CLA rates across the State are impacting the Homestead Tax Rate calculation.

The effect of decreasing CLA rates impacts every school district in CCSU by raising respective Homestead Tax Rates. The application of the CLA % by itself adds anywhere from 19-cents to a high of 64-cents to the Homestead Tax Rate in the eight communities that comprise CCSU. This can be seen in detail in Table 1 at the end of my written testimony.

School districts are not responsible for and cannot directly influence the CLA rate in their communities. In CCSU we have communities that completed a reappraisal in the past year or two, only to see their CLA rate drop by as much as 10-20 points. This is happening because of explosive increases in the selling price of properties, and the current methods for completing reappraisals cannot keep up with the demand. You have heard and will continue to hear calls for elimination of the CLA as a factor in tax calculations. It is above my paygrade to imagine another way to equalize the homestead tax rates across Vermont communities, but if CLA is the best way to do it then I would like to see something done to speed up the reappraisal process so that we are not experiencing CLA rates in the 70's and 80's, resulting from 10 point drops year to year as a community waits in a queue for a reappraisal. And to the extent that you might hear complaints about homestead tax rate inflation from those who are negatively affected by the loss of pupil counts resulting from Act 127 pupil weighting adjustments, I respectfully suggest it is worth looking at how much of the tax rate increase results from a loss of long term average daily membership (the pupil count) and how much results from unusually low CLA rates. The first – readjusted pupil weights – is a *good* thing for those of us who have been penalized by the old methods in place since 1997. The second – low CLA rates driven by exploding property values – is a boat that we all float in that should not be used to denigrate the larger equity goals that drove Act 127 in the first place.

All of the above has to do with homestead and income sensitive tax rates – admittedly the numbers that most residents really care about – but you asked about our spending, and the 800-pound gorilla in the room is something that my fiscally-responsible school boards have no control over, namely, inflation. Inflation has affected each district in similar ways, to greater or lesser degrees, and I have named the specific impacts in a table at the end of my written testimony (Table 2: CCSU District Cost Drivers). I want to make two important points in summary, though:

First, all of the districts are seeing cost increases related to some combination of:

- special education cost increases resulting, in large part, from increases in the unfunded mental health obligation that continues to drain the education fund;
- staff salary increases negotiated during the Covid-19 pandemic when we were concerned about losing teachers to higher-paying districts in the midst of an overall teacher shortage;
- spiraling health insurance premiums - up 16.4% for next year – that defy the Legislature's belief that a statewide negotiation of school employee healthcare rates would somehow *lower* these premiums;
- transferring the last few employees from ESSER-grant-funding to local funding, a process that we started in FY24;
- deficits arising from unplanned mid-year maintenance;
- and finally, the need to fund after school programs in local budgets as the ESSER grant money expires next September. This last – after school funding – is problematic because it appears that money that was added to the Education Fund last session for school-operated after school programs has been syphoned away for use, in part, by private after school providers, none of which operate in my SU.

Second, the money that my district boards added to their FY25 spending is, for all intents and purposes, due to these inflationary pressures, accounting for 94% to more than 100% of the increases in total expenditures. (In the two cases where the inflationary increases exceed 100%, we accounted for that by reducing other line items in the budget.) Importantly, we did not add money to district budgets to take advantage of the so-called 5% pre-CLA loophole that was part of Act 127 (Section 7) and which the House is working on eliminating. The likely loss of the elimination of the 5% pre-CLA cap does affect four of my five districts, but that is a tax rate issue, not a spending issue.

Finally, with three of my districts – Cabot, Danville and Twinfield – facing a PCB-remediation obligation, and the Agency of Natural Resources proposing *not* to fund this remediation in defiance of State law, these three district boards are facing the potential of having to foot these remediation costs themselves. This is a topic that may be beyond the scope of today's hearing, but in simple terms the ANR proposal says:

1. there is not enough money to fund remediation needs for schools already needing that money;
2. there is no funding stream identified for adding money to the PCB-remediation fund in FY25
3. ANR is prioritizing testing of new sites, with the potential that additional testing will add to the number of schools for which there is no remediation money; and
4. ANR's proposal not to fund remediation does not come with a relief from the regulatory requirement that we remediate.

Down the road, unfunded PCB-remediation is likely to be the new 800-pound gorilla that will challenge my successor starting on July 1st.

I am happy to take any questions you may have.

Thank you,

Mark Tucker, M.A.
Superintendent, CCSU

Table 1: CCSU Pre- and Post-CLA Tax Rates

FY25 Budget - Assumes Property Yield rate of: $9,775				
District	HS PRE CLA Tax Rate	HS POST CLA Tax Rate	CLA Impact on HS Tax Rate	Income-Sensitive Tax Rate
Peacham	$ 1.62	$ 1.95	**$ 0.33**	3.07%
Barnet (CCSD)	$ 1.55	$ 1.90	**$ 0.35**	2.94%
Walden (CCSD)	$ 1.55	$ 1.74	**$ 0.19**	2.94%
Waterford (CCSD)	$ 1.55	$ 1.84	**$ 0.29**	2.94%
Danville	$ 1.47	$ 1.72	**$ 0.25**	2.79%
Marshfield (TUS)	$ 1.37	$ 1.57	**$ 0.20**	2.64%
Plainfield (TUS)	$ 1.37	$ 1.96	**$ 0.59**	2.64%
Cabot	$ 1.43	$ 2.07	**$ 0.64**	2.71%

Table 2: CCSU District Cost Drivers

Cabot School

Total Expenditure Increase		**$870,256.00 <---- 25%**
Variance Drivers: FY25 Vs FY 24		
$320,007	SU Assessments (SpEd- Add'l Teacher, Central Office, Food Serv, & Transportation	
$174,000	FTE up 3.4 - Comp $174K & Ben - $58K	
$116,000	Total Comp up - CBA/Mix (Excl. 3.4 New FTEs)	
$122,000	Total Health Premium increase - 16.4% (Excl. 3.4 New FTEs)	
$100,000	Prior Year ('23) & Current Year ('24) Deficits Unbudgeted Maintenance	
$50,000	Main Bldg Improvements - Debt Service 10 yrs	
$882,007	**100%+ of total increase (Other items flatlined or reduced)**	

Twinfield Union School

Total Expenditure Increase		**$578,446.00 <---- 8%**
Variance Drivers: FY25 Vs FY 24		
$151,526	SU Assessments (SpEd, Central Office increases, Food Service)	
$189,106	Comp up - CBA Grids & O&M from SU	
$116,710	Health up - 16.4% & O&M from SU	
$34,000	All Other Benefits (FICA, VMERS) & O&M	
$75,000	After School Program transfer to local funding	
$566,342	**98% of total increase**	

Peacham School

Total Expenditure Increase		**$383,189.00 <---- +17%**
Variance Drivers: FY25 Vs FY 24		
$205,750	1.) Outgoing Tuition: 47 Kiddos	
	5 Add'l kids plus AVG Tuition up $2K/student	
$99,591	2.) Assessments up over FY24- Driven by:	
	SpED-$53K, Food Serv, Superintendent Office Increase & Trans $39K	
$45,000	After School Program transfer to local funding	
$42,000	Healthcare Mix & Rate Increase	
$392,341	**100%+ of total increase (Other items flatlined or reduced)**	

Danville School

Total Expenditure Increase		**$694,676.00 <--- + 9%**
Variance Drivers: FY25 Vs FY 24		
$175,000	Comp & Ben of 2.2 FTEs (prior ESSER Funded)	
$144,000	CBA-CCEA Comp up (Less add'l FTEs - 2.2 FTE Comp portion)	
$200,000	Healthcare up Less add'l FTEs (2.2) Healthcare portion	
$53,000	CTE Vocation Tuition up (St J Academy, LI)	
$32,000	Books, Supplies & Travel	
$49,000	After School Program transfer to local funding	
$653,000	**94% of Total Increase**	

Caledonia Cooperative SD (3 schools)

Total Expenditure Increase	**$**	**2,361,383.00 <--- +17.5%**
Variance Drivers: FY25 Vs FY 24		
$1,048,282	CCSU Assessment Increase. Driven by SpED - $800K	
$301,629	$301,629 Tuition Cost Increases - AVG tuition up $1,545/student	
$219,000	2 FTE increase: Pre-K Barnet & CFP - Prev Grant funded - WFD	
$300,000	CBA Wages only Increase of non New FTEs	
$221,000	Healthcare increase 16.4%	
$43,000	All Other Benefits (FICA, etc)	
$135,000	After School Program transfer to local funding	
$2,267,911	**96% of Total Increase**	