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**TO:** Vermont Senate Committee on Education, Vermont Senate Committee on Finance, Vermont House Committee on Ways & Means, Vermont House Committee on Education

**FROM:** Heather Bushey, Director of Finance and Robert Carpenter, EWSD School Board Chair

**DATE:** January 25, 2024

**RE:** Testimony on S.287 An act relating to improving student equity by adjusting the school funding formula and providing education quality and funding oversight.

Thank you for this opportunity to provide testimony on Act 127 and its impact on our budget development for FY25. My name is Heather Bushey and I am the Director of Finance at Essex Westford School District. I am joined by our School Board Chair, Robert Carpenter.

Essex Westford School District strongly supports the underlying goals of Act 127, emphasizing the importance of Vermont's education funding system promoting equity across the state. However, we've observed significant challenges in the mechanics of this legislation, impacting both our district and community members.

Act 127 has led to a decrease in taxing capacity for Essex Westford that far surpassed our initial expectations. To illustrate the impact, if we were to maintain the same net education spending in FY25 that we had in FY24, homestead tax rates (before CLA) would increase 9.58% in our communities. **That is a significant tax rate increase without increasing one cent of spending.**

FY24 BUDGET		FY25 SCENARIO	
Net Education Spending	\$73,630,650	Net Education Spending	\$73,630,650
Equalized Pupils	3,655.81	Long-term Weighted ADM	5,617.97
Net Ed Spend per Pupil	\$20,141	Net Ed Spend per Pupil	\$13,106
Homestead Yield	\$15,443	Homestead Yield (est.)	\$9,171
Homestead Tax Rate	\$1.3042	Homestead Tax Rate	\$1.4291

As most of you are aware, FY25 is a year where Districts are facing significant budget pressures. We are contending with a 16.4% increase in health insurance costs, expected rises in salaries and wages, increased payroll taxes, loss of federal ESSER grant funds, heightened demands for facility repairs, declining enrollments, increased need for mental health supports for our students and obligations to comply with stormwater regulations and PCB testing.

Essex Westford is unable to incorporate all of these factors into our FY25 budget and meet the educational needs of our students without increasing our net education spending and we have serious concerns about the impact this will have on our taxpayers. We are particularly concerned about our most vulnerable community members who pay an income sensitized tax. While Act 127 contains a tax rate cap of 5% on the homestead tax rate, a similar cap does not exist for the income sensitized tax rate. **This may result in our most vulnerable community members experiencing a 23% increase in their property taxes.**

While the leadership of Essex Westford feels like we are recommending the most responsible budget possible, we have deep concerns about whether that sentiment will be shared by the voters in our communities who are facing their own set of financial pressures. The current budget that we are recommending represents a 7.74% increase in general fund expenditures and results in a 20.65% increase in the homestead tax rate before the cap. The 5% tax cap in Act 127 is critical for the Essex Westford community and allows us to make responsible cost reductions while continuing to ensure that the educational needs of our students are met.

Looking ahead, future financial projections present uncertainties, and we are not sure how to navigate the transformation of our district in the years to come to offset anticipated tax increases once the cap expires. Mere expense reduction or changes in staffing ratios cannot fully address the complex changes that will be needed.

Thank you for considering our perspective and we look forward to working collaboratively to address the challenges that our education system in Vermont faces.

At this point, I will welcome Robert to share his thoughts and perspectives as our Board Chair and a community member.

*Robert Carpenter, Essex Westford School District Board Chair*

I am one of the 60% of families in Essex taxed on income sensitivity. I have two young children and have a difficult time making ends meet as an overburdened working professional.

As a board chair, I am placed in the position of having to choose between two terrible scenarios:

1. Pass a budget, that includes reductions while still increasing tax bills from 16-21% due to Act 127 and CLA causing a \$1200 increase in my tax bill. This will force a financial crisis for many families, mine included.

OR

2. Cut millions from our budget to reduce the tax impact resulting in devastation to our educational quality, staffing and children's access to vital services such as bussing.

School boards need explicit direction from the state on the following:

Is it the will of the legislature and governor to dramatically scale back public education in Vermont?

Due to Act 127 and CLA we must weigh laying off hundreds of teachers and staff who are our middle class community members or pass the burden of statewide levers to our taxpayers.

Either way the fallout will alter the fabric of our communities. Working class professionals raising families and paying taxes deserve to know what kind of future you intend for Vermont.