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Speaker Shap Smith
Speaker's Office
115 State Street
Montpelier, VT 05633

Subject: PUBLIC INPUT ON EDUCATION FINANCE AND SYSTEM REFORM

Dear Mr. Speaker:

I have been CFO of Rutland City Public Schools for 10 years and VP Finance of various software and electronics companies for 25 years prior to that. I offer the below suggestions speaking solely for myself in my financial and professional capacity.

There is a lot of discussion about the structure of the current Act 60/68 funding mechanism when the core problem really is that VT education costs a lot and costs more than it needs to. Possibly the wrong issue, financing structure, is getting the most attention.

It is very hard for anyone with a financial or business perspective to look at the large number of schools for so few children and large numbers of school districts/boards and not see such spending as unnecessary. There appears to be a fundamental right for any town to have a school that wants one; yet in a 100% State financed system that seems unreasonable.

We seem to have many schools being kept open by too many school districts/school boards which in turn drives more supervisory units and jobs like mine, which could be reduced if the whole pie were scaled back, evenly over time, starting at the bottom with school districts.

Having worked as the financial consultant evaluating ARSU joining either SVSU or BRSU what little politics I have learned is that the finest people in the world, despite common sense and clear value, will virtually never vote themselves or their organization out of business or in combination with anyone else. It's not a financial decision; it's existential. The Legislature must do it or it won't get done. It cannot be bought with lower tax rates or grant funds.

Small school grants are financially schizophrenic in the face of needed consolidation and anti-market.

Public high school choice is a fine idea but tuition money not following the child is anti-market and distorts the local taxation formula. Rutland City loses \$200,000 per year of potential tuition revenue by having 16 more students inbound than outbound. This will likely get larger as more 8th graders enter the process to start 9th grade. We also know that there are more local area children who would like go to RHS but they are "locked up" at their sending schools due to the outbound limits. This kind of protection of

sending schools was no doubt well-meant originally under the assumption that only a few children would use it, and what difference does it make in a 100% State funded system anyway. However, the numbers are now material and the 100% State funding argument fails due to the distortion of the local tax rate formula.

Right now, any school district can pretty much spend whatever it wants as long as voters approve it, as there are no logical centralized cost controls like class size. Financial equity would be improved if sensible class size and school size minimums were implemented, subject to the usual geographic constraints. My fear is we may be headed toward a time of degrading financial equity for children as the public angers. Budget voting by itself reduces equity for children as communities' local support for education varies considerably and shifts over time. Rutland City voters voted down the proposed budget last year; a budget that was well below average. Financial equity might be improved if districts with below average cost per pupil were relieved of general public voting. General voting is a negative control that should not be necessary if spending is in line and meets public policy.

Many financial folks thought bill H 883 was terrific and were disappointed it did not pass. I was in awe of the fairness and common sense of it.

Consolidating schools offers substantial marginal cost savings. Bennington consolidated a primary school and saved \$2 million per year. I do not know anyone in education finance who believes a school board is likely to close/consolidate a school or ever vote to consolidate itself. If the Legislature does not wish to identify schools for consolidation/closure, possibly hiring an outside firm to act as a "military base closing committee" is in order.

We hear valid stories about how small schools are often the centers of community life yet is it really the job of the State to raise taxes to fund community life? Community life can be developed other ways. If two towns each must have a school, then maybe the towns could merge into one town. Although preposterous to some, like many VT schools, one can argue VT towns are too small, too. Money might be saved on the municipal side. We in education know that the name of the town in which a child goes to school means nothing to the child as long as his/her peers are at the same school.

I have focused on small schools I suppose because cost control has to start somewhere. Not being an educator, I am unqualified to speak to the quality issue of small schools. But regardless of quality maybe being lower or maybe being higher (as some might be considered individualized tutoring operations), student equity can be improved and costs saved by their orderly consolidation.

There is no better time than the present to try and streamline educational operations. It cannot be outsourced to the field to streamline itself. Thank you for tackling it.

A handwritten signature in blue ink, appearing to read "Peter Conners". The signature is fluid and cursive, written in a professional style.