

AEF Working Group

Senate Education Committee Report

Overview

1. Approach to Inquiry
2. Common Ground
3. Context for Decisions
4. AEF Proposal Elements
5. Proposal Detail
6. Key Benefits

AEF Approach to Inquiry

- Citizen-led Community Effort
- Rooted in Dialogue & Education
- Develop Common Ground
- Solutions Focus
- Study Circle for Research & Generative Work

AEF Common Ground

➤ Reform Objectives:

1. Publicly fund substantially equal access to excellent education opportunities across rural, suburban and urban communities.
2. Establish thresholds for minimum education opportunity and cost effectiveness
3. Cultivate sufficient simplicity and transparency to support superior governance.
4. More equitably and broadly distribute tax burden for expenditures across communities and taxpayers.
5. Leverage and promote community engagement in the success of our schools.

AEF Common Ground

➤ Guiding Principles:

- Simplicity
- Transparency
- Equity
- Value
- Standards
- Community

Context for Decisions

- High staffing ratios & above average expenditures are not at all unique to our small schools
- The current system allows inequity of student opportunities and creates significant disparities in tax rates for student opportunities provided
- Lack of clarity, broad accountability and perceived control among voters drives excess spending
 - Support for expenditure increases despite property tax outcry and excessive staffing and spending is widespread
 - Lack of correlation between failed budgets and highest per pupil expenditures and lowest discounting
- Rising property taxes impacting economic development and aging demographics can only be contained through broad restoration of spending restraint

The 3-Pronged AEF Proposal

| Budgeting | Funding | Accountability |
|--|--|---|
| Use proven methodologies to fund quality education and substantially equal educational opportunities at a reasonable cost. | Implement a flat statewide education tax, a local education tax & simple, effective equity mechanisms. | Increase accountability for spending and equity of opportunity at every level of decision-making. |

#1: Budgeting

- Statewide funding is guaranteed but limited based upon reasonable per pupil costs to meet the state's public education commitment to all students
- Reasonable per pupil costs are determined using well-established adequacy funding methodologies that take into account education inputs required to meet commitments and regional cost data
- Commitments and reasonable costs are defined in a transparent and data-driven process that involves all stakeholders, including students, and is tied to populations and rates of inflation
- Districts that can't meet statewide commitments at statewide funding level, given preferred staffing levels or scale, can choose to raise more funds locally to maintain current approach
- Based upon adequacy funding but distinct from it in provision of statewide funding to meet education commitment to all students

#2: Funding

- Establishes a single statewide education tax rate to raise a fixed percent of statewide education funding, while the balance is provided through the General Fund and other dedicated sources as done today
- Statewide education funds are dedicated exclusively to support PK-12 public education
- Income sensitivity for residential homesteads is maintained for the statewide education tax, but not extended for additional local expenditures
- Total district expenditures are still determined by local voters, but any expenditures approved above the statewide funding level must be raised locally.
- Tiered luxury taxes are applied to ensure sufficient equity of opportunity

#3: Accountability

- Incentives aligned to operate cost-effective schools and consolidate where appropriate as full responsibility falls to local voters for funding expenditures beyond a reasonable cost standard
- Where sufficient opportunity is in question, Education Commitment Certification by the AOE or a contracted certification agent is required to maintain statewide funding eligibility
- To prevent excessive spending disparities, a tiered luxury tax is applied to local expenditures at defined percentages above the reasonable cost standard
- Any legislation that expands the work of schools must include cost analysis and specify statewide funding source

Key Benefits

- Effectively Contains Taxes & Spending: Restores clear and direct link between local spending and taxes for all voters and sets predictable limits on statewide obligations
- Increases Equity of Opportunity: Funding equity of opportunity specifically, rather than anything goes, ensures accountability to students and taxpayers and Brigham compliance
- Leverages Education Finance Best Practices: We know our equalized pupil mechanism isn't resulting in equal opportunity or sufficient accountability. More refined and proven methodologies exist to ensure resources are budgeted effectively and with greater accountability. Building on others' experience will minimize our risk
- Preserves Local Democracy: Our incomprehensible system and its misaligned incentives are the problem, not democracy. This approach restores the necessary clarity and accountability for voters to make sound decisions, rather than resorting to eliminating local representation

Need for Systemic Reform

If the goal is to address high spending and contain rising property taxes, where must focus be?

| | Small Schools Grant Recipients | Non SSG Schools |
|--|--------------------------------|-----------------|
| # Districts spending over \$24k/ student (35% above average) | 8 | 8 |
| # of students involved | 669 | 5,622 |
| % of Vermont students | .8% | 6% |
| Savings if brought down to just \$20k/student (12% above average spending) | \$4.5 Million | \$44 Million |
| Average education spending/equalized pupil (in this high spending subset) | \$13.6K | \$14.3K |
| # students in schools spending over \$30k/student | 146 | 2,079 |