

Mr Speaker –

I am an accountant, and generally I think audits are a good thing, but I want to make clear, I have no conflict here. In this instance, my position is that the current audit requirement for school districts is in some instances an unwarranted extravagance the benefit of which cannot justify the cost.

My numbers come from my analysis of 2013 and 2014 spreadsheets generated by the education department, and may not be exact, but I think we have about 100 small schools. I think we had almost 50 schools with budgets of less than \$1,000,000 in 2014. We have 19 non-operating schools, and a number of operating districts that tuition some grades.

I would like to start with the extreme case of non-operating schools. First, it is the municipalities that collect the ed fund monies, not the school districts. It is the municipalities that send ed fund monies to the State of Vermont, not the school districts. The audits we address here are not audits of the municipalities, they are audits of the school districts. The municipalities turn the money they do not send to the State over to the school districts. The municipalities do all this much as agents of the State. In the case of a non-operating schools, the school district then pays the money it has received from the municipality as agent for the State to operating schools, and those performing specialized services such as speech therapy. This is really very transparent. It is hardly worth an audit every year. Of course non-operating schools are also schools with very few students, either by ADM, or equalized students, so even an audit that costs \$5,000 - \$10,000 makes a significant difference in education expense per equalized student.

Admittedly, I have started with the extreme, in transparency, in cost vs. benefit, and in tax rate consequence; and, large districts should wish to have an annual audit regardless of statutory requirement, but the cost of an annual requirement would outweigh the benefit well beyond the extreme case of the non-operating school district.

As we look for ways to reduce property tax rates for ed funding, this is a simple one with significant consequence to tax rates for some of the districts that are hit the hardest, just because they have low equalized student numbers.

I know that this entire issue should disappear before 2020, because all districts will become large enough to justify the audits, and because the cost of audits will lose their materiality in the context of the total ed spending of the “expanded districts,” but this we can do right now.