

**To: The House Education Committee,
Testimony on Act 46, AGP
January 5, 2016**

**From: Bob Mason, Chief Operations Officer Chittenden South Supervisory Union,
Past President VASBO**

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Current President VASBO**

As Bob previously mentioned, I am the Business Manager for the Rutland Central Supervisory Union. I will also speak to you as both an officer of VASBO and as the Business Manager for medium sized school districts in central Vermont on the topic of the Act 46 allowable growth provision.

Rutland Central Supervisory Union includes Proctor School District, a PreK to 12 system with students housed in 2 buildings, Rutland Town School District, a PreK to 8 system which has school choice for its grades 9 to 12 students, and West Rutland School District which is a PreK to 12 school. Overall we serve 1,150 students in Rutland Central.

While VASBO would agree that anything that relieves some of the pressure on districts due to the cost containment measures in Act 46 would be helpful, it is our position based on the resolution that was passed in November 2015 that the “allowable growth” provision of Act 46 should be repealed.

It should be pointed out that since the allowable growth percentage was based on fiscal year 2016 budgets, it does not take into account what may have occurred in prior years. For example, the AGP is 1.9% for Proctor based on education spending per equalized pupil of 5.69% in fiscal year 2016. In 2015 the education spending per equalized pupil was .01%. So since the AGP was based on one year (2016) the school district is now faced with reductions in programs for students in order to meet the cap for 2017, but if you were to look at the trend in spending over the last few years for Proctor you would see that the education spending increase per equalized pupil has averaged about 2.5%.

The reason that education spending in school districts may vary year to year is not necessarily due to staff or expense increases, but often a function of whether or not a district has a fund balance available to be carried over into the next fiscal year. The Rutland Town School District has school choice for students in grades 9 through 12. For Rutland Town this is about a \$2.2 million dollar line item that makes up 27.5% of their budget. The variance on this line from year to year can easily fluctuate by \$100,000 at \$15,000 per student. For its fiscal year 2016 budget,

the school district had \$275,000 of fund balance available to reduce its education spending. For 2017, the district does not expect to have any fund balance available due to more tuition students than budgeted in FY15 and additional special education costs. So this means the district must immediately deal with a revenue decrease that is 3.4% of its education spending budget on top of other contractual increases in wages and benefits.

A spending cap that broadly mandates reductions based on the level of spending in the prior fiscal year that does not allow for variables a school district may be presented with in the subsequent year such as: a significant increase in health insurance, a change in fund balance, a new special education cost, an unplanned maintenance item, materials for a new math curriculum or fewer tuition students is inherently inequitable. These items are not indicative of out of control spending, but circumstances that the district may be presented with in one particular year that increase spending above the district's norm.

Based on my analysis for the school districts in Rutland Central, the increase of .9% in the allowable growth percentage will not have the same effect in all three districts. For Rutland Town, because 27.5% of their budget is tuition, the .9% increase will actually be about \$20,000 more than the estimated cost of the 7.9% increase in health insurance. For Proctor it will just cover the increased cost by \$1,000 and in West Rutland it will be \$9,000 be short. As you can see the effect is not the same for each district. The three schools in my SU have about the same number of staff, but Rutland Town's budget with \$2 million dollars in tuition costs get a larger increase by virtue of the size of the budget not because of the cost of the increase in health care. So while the .9% increase in AGP helps, it is still inequitable in terms of what it does district by district.

It is unavoidable that reductions being made in order to meet the allowable growth percentage are affecting educational opportunity for our students. Often the reductions made in schools of my size are in areas of support for students who are struggling in math and reading in order to avoid reductions in classroom teaching positions. Many school boards have had to make tough choices about reductions in core curricular areas in order to meet AGP. Unfortunately, we often have to make disproportionately greater reductions in our regular education programs in order to allow for mandated increases in special education.

It is also noteworthy that more than 25 SU's and their member school districts are actively engaged in merger studies in response to the unification goals of Act 46. Once the studies are complete and the unification plan is approved by the State Board of Education, voters will consider the proposed plan. In many cases, significant savings and increased educational opportunity are anticipated. We believe that the AGP is unnecessary and arbitrary in its effect, particularly in light of these studies.

VASBO has not changed its position on repeal of the AGP contained in Act 46. While relief in the form of a .9% increase in AGP would be helpful it does not address the inherent inequities of

the cap. We appreciate the effort to provide relief, but we continue to respectfully ask you to consider our request for repeal. Please keep in mind that action needs to be taken immediately in order for school boards to react. Many school districts are finalizing budget information so that it can go to the printer to be included in reports for Town Meeting and many of those budgets are making significant reductions that will affect the educational opportunities for disadvantaged students and learning environment for all students in communities across Vermont.

Bob and I thank you for this opportunity to speak with you today. We hope that our testimony has been helpful and we hope that VASBO will continue to be called upon as a resource regrading education finance issues during this legislative session.

The Vermont Association of School Business Officials (VASBO) considered and passed the following resolution on November 13, 2015: **The General Assembly should repeal the “allowable growth” provision of Act 46 and not impose any growth containment other than the existing excess spending threshold until supervisory unions have an opportunity to complete the consolidation process in Act 46.**