

2014-2015 Call for Public Input
Education Reform
Document 2

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Nancy Wood
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Charlotte, VT 05445
802-425-2761 * nwood@gnavt.net

December 28, 2014

To: Speaker of the House Representative Shap Smith
From: Nancy Wood
Re: Education Funding Proposals

Dear Speaker Smith,

Thanks for your invitation for us all to contribute to the debate on education reform and funding. I've been listening, studying and suggesting ideas for many years, but make no claim to have the best answers. So rather than trying in a few days to pull together a new proposal, I've dusted off an old document that I wrote in 1993 when I was in the legislature as a representative from Burlington.

The proposal, which follows, is clearly dated. It preceded the Supreme Court decision that led to Acts 60 and 68, and a variety of other changes in education funding. It preceded the currently derailed single payer health funding initiative. And, I'm not convinced I would support it. However, it addresses what continues to be a major sticking point in the debate: the disenfranchisement of voters related to school funding decisions. How has this happened?

1. Local school budgets are in large part predetermined by teacher negotiations, over which voters have no say. The Governor and Legislature blame the voters for passing larger and larger budgets, but are totally unwilling to place any controls or caps on salaries and benefits determined through negotiations. Example: 3.25% per year new money for three years was currently approved in Chittenden South District. The Fact Finder's report made NO reference to the State's urgent pleas for restraint, and instead said the taxpayers of the district could afford it. This will, no doubt, also influence increases in pay to administrators (including in the superintendents' offices), para educators and staff as well as the teachers covered by the contract. It will also, due to the ratchet effect, influence settlements in other districts as all districts compare salaries to their neighbors.
2. The Legislature manipulates the statewide education tax rates, base education amount and income sensitivity percentage annually, with no direct accountability to the voters, and after Town Meeting. The complex formula and unknowns create uncertainty for voters, who see a budget amount out of context with its impact on local taxes. Before the statewide education tax, it was customary in most towns for voters to approve the school budget with a clear idea of what the property tax would be. In a few, Burlington for example, the voters approved the tax rate as opposed to the budget. This was even clearer.
3. During the economic boom of the late 90s-early 2000s, with the inflationary increase in property values, the Legislature was able to reduce the statutory rates and take credit for "reducing taxes." However, this had the effect of increasing tax revenues and creating an atmosphere where higher spending was encouraged. The percentage of general fund revenues to education was reduced. Uses of the Education Fund were expanded beyond K-12, with more mandated services to be provided in the schools, rather than the excess property taxes being put aside for a rainy day. The recession rained hard on Vermont's property tax payers.

The changing demographics of the state is another pressing issue not addressed in the following proposal. I hope the Legislature will give priority to considering how Vermont can become more attractive to families with children, who would bring young energy, earnings and expertise to the state, enliven our small communities and bring our schools back up to capacity. The bottom line of this entire debate should be maintaining a high quality education for all Vermont children.

February 19, 1993

* DRAFT #5*

A "SINGLE PAYER" PROPOSAL FOR
RESTRUCTURING VERMONT'S K-12 SCHOOL SYSTEM

Governor Dean and Speaker Wright have challenged us to tackle the dual issues of school governance and school finance, and to act this year. The Speaker's plan for the state to pay teachers' salaries, and to move contract negotiations away from local school boards to one state bargaining unit has invigorated the debate and broadened the scope of potential change.

We all know that substantial inequities permeate our present education system. Disparities in wealth from community to community mean unequal educational opportunities for school children, unequal pay and benefits for teachers, and unequal property tax burdens for taxpayers. We must do away with these structural inequities if we are to meet the "Green Mountain Challenge" developed by hundreds of educators and citizens to support "very high skills for every student - no exceptions, no excuses."

How can we deliver a high quality education to every Vermont student, at a reasonable cost, spreading the financial burden equitably throughout the state; and at the same time maintain the community participation and caring for hometown schools that is the strength of our current system?

Here is a proposal that attempts to pull together in one system the ideas offered by the Governor, the Speaker, and others like Sen. Spaulding and Rep. Valsangiacomo who have been working on this problem for years:

1. All of the current 60 supervisory districts and over 250 local and union school districts would be consolidated into one statewide school system.
2. This one unified district would raise all of the tax revenues needed for education, and allocate them to all of the public schools in the state. In its first year the legislature would set by statute the types of taxes and tax rates required to raise sufficient resources to fund the system. Included would be a reasonable mix of property, sales, and personal income taxes. (See attached estimates of rates.)

In subsequent years any increases in the tax rates would have to be presented by the State Board for approval to the voters of the consolidated district (ie, the state as a whole).

3. The system would be run by a State Board of Education elected by the

voters of the state. The State Superintendent (aka Commissioner or Chancellor) would be appointed by the Board.

4. All education staff (teachers, administrators, support staff) would be employees of the state education system; and all contract negotiations would be with the State Board. However, hiring, firing and management decisions would be the responsibility of locally elected town and union school boards. During a transition period the State Board could be negotiating with many local bargaining units with different contracts; over time these would be consolidated into one unit and contract.
5. The state would be divided into a reasonable number of regional supervisory sub-districts (+/-20 versus the current 60) to coordinate resources for local and union schools.
6. The State Board would develop an annual "global budget" for education, and allocate funds to local and union schools on a per pupil basis, plus special education and federal funds as required for special needs students and programs. Local school boards would be responsible for developing budgets using the state allocation to operate their schools.

Teachers and other staff would be paid based on the statewide salary scale. There would be no local school tax. Local schools, however, would be able to supplement their state and federal tax revenues through careful planning, creative budgeting, and aggressive efforts to raise money through grants and contributions.

This is a spare outline of a complex proposal, leaving many unanswered questions. Who would oversee the regional vocational - technical centers? How do we ensure that the assessment of property for the school tax is fair? Is a statewide school district vote on broadbased taxes for schools constitutional? Can local school boards, working with their principals and teachers, guarantee a quality education without having the authority to tax or set salaries? Who would pay for new construction of schools?

I believe these questions and many more can be resolved in ways that will provide the equity we owe our children and the taxpayers, while keeping tax levels and the quality of education under the control of the voters.

I've used the term "single payer" for this proposal to draw attention to the many similarities in our education and health care systems and in the debates we are having about them. Key issues in the reform of both systems include quality, universal accessibility and affordability.

In health care we are moving toward state coordination of the system, with serious consideration being given to a "single payer" that would raise the revenues to pay for health care, and allocate these

funds to providers, guaranteeing access to all residents. We have already mandated the development of a statewide "global budget" within which hospitals and eventually other providers will have to function. In some cases "capitation rates" have replaced traditional rates based on cost per service. Bargaining units of physicians will be negotiating with the state Health Care Authority.

Many of the proposed changes are designed to control the rapid increases in the overall cost of the system, while making it affordable for all people and spreading the burden equitably. Our local school districts have also experienced rapid cost increases. All students have access, but the quality of education is unequal. The issues of "choice" and high quality are part of both the health care and education debates.

A weakness of both systems is the piecemeal way we pay for them. Medicaid and state aid to education are both subject to the changing priorities and capacities of the state general fund budgeting process, and skimping on both has resulted in cost shifting to other payers. The same problem could develop with an expansion of state aid to include teachers' salaries: over time other expenses within the system could grow out of proportion and costs would continue to shift to local taxes.

A unified education fund supported with dedicated taxes would continue to be subject to fluctuations in the economy, but would not be competing with other state needs. A global budget, with funds allocated per pupil to cover all regular education expenses, would keep costs at a sustainable level, and would encourage efficient and creative spending decisions on the local level. If public school choice is mandated on the state or federal level, schools would be able to compete for students on the even playing field of equal resources. And without the burden of contract negotiations taking up so much of their time and energy, teachers, administrators, and school directors, along with parents and community members, could all work together to make Vermont's K-12 education the best in the nation.

What do you think? Please send me your comments:

Rep. Nancy Chioffi
State House, Montpelier, VT 05633-5201

MODEL VERMONT SCHOOL SYSTEM: OUTLINE OF PROPOSAL

STATEWIDE SCHOOL DISTRICT

STATE BOARD OF EDUCATION

CHANCELLOR

TAX POWERS

GLOBAL BUDGET

ALLOCATION OF FUNDS

POLICY, CORE CURRICULUM, GOALS

EVALUATION

TEACHER CERTIFICATION

TEACHER CONTRACT NEGOTIATIONS

STATEWIDE COMPENSATION SCHEDULE FOR ALL EDUCATION STAFF

REGIONAL SUPERVISORY DISTRICTS (+/-20)

REGIONAL BOARDS REPRESENTING LOCAL BOARDS

REGIONAL SUPERINTENDENTS

RESOURCES

SPECIAL SERVICES

MANAGEMENT & TRAINING

COORDINATION OF SERVICES, SAVINGS

LOCAL & UNION SCHOOL-BASED DISTRICTS

LOCAL/UNION BOARDS & PRINCIPALS

HIRING/FIRING OF SCHOOL STAFF

OPERATIONS

EDUCATING PUPILS

DECISION MAKING

BUDGETING OF FUNDS ALLOCATED BY STATE BOARD

CAPITAL BUDGET

FLEXIBILITY & DISCRETION IN MANAGEMENT & OTHER FUND RAISING

VOTERS:

STATEWIDE SCHOOL DISTRICT VOTE ON TAX RATES FOR SCHOOLS

PROPERTY TAX, SALES TAX, INCOME TAX, SPECIAL TAXES

STATEWIDE (OR SUPERVISORY DISTRICT) VOTE FOR STATE BOARD OF EDUCATION

TOWN VOTE FOR LOCAL/UNION SCHOOL BOARDS

ESTIMATED TAX RATES NEEDED TO FUND EDUCATION PLAN

Based on my best "guesstimates" of potential revenues in FY94, starting rates to raise enough revenues to fund the system could be a statewide effective property tax rate of \$1.00; a statewide sales tax rate of 2.5%; and a statewide personal income tax rate of 16.5% of federal income tax. Compared to FY92 tax rates, these rates would represent a slight reduction in the statewide effective property tax rate, the same contribution from the sales tax, and an increase of 1.1 points in the income tax rate. Property tax payers in towns with lower rates for their schools would see an increase; those with higher rates would see a decrease. The sales and income tax rates are comparable to the portions allocated from those taxes by the state in FY92 to support state aid and other education costs included in the state General Fund budget.

(Note: These estimates are as of 2/19/93, and are based on information I have gathered from various sources. They may be inaccurate. See the following pages for the calculations and assumptions used to arrive at these estimated tax rates.)

ACTUAL FY92 ALLOCATION OF STATE & LOCAL FUNDS FOR EDUCATION

TOTAL VT REVENUES:		FOR ALL K-12 EDUCATION EXPENSES			
PROP TAX	104.13	382.8	INCLUDING SPECIAL ED, EEE &		
"LUNCH MONEY"		51.7	TEACHERS RETIREMENT	218.266	218.266
SALES TAX	2.5	78.5	RES PTAX	226.736	
INC TAX	15.4	139.7	OTH LOCAL	205.746	434.537
(#3)			ADJ 1/28	652.8	650.748
		56.2%	(#1)	(#2)	(#1)

ESTIMATED FY93 ALLOCATION OF STATE & LOCAL FUNDS FOR EDUCATION

TOTAL VT REVENUES:		FOR ALL K-12 EDUCATION EXPENSES			
PROP TAX	107.8	396.2	INCLUDING SPECIAL ED, EEE &		
"LUNCH MONEY"		53.5	TEACHERS RETIREMENT	212.491	212.491
SALES TAX	2.3	76.4	RES PTAX	240.794	
INC TAX	14.0	136.1	OTH LOCAL	240.981	449.7457
(#3)			ADJ 1/28	662.2	694.266
ST/PI REV		56.1%	(#1)	(#2)	(#1)
		56.9%			

PROPOSED FY94 ALLOCATION OF DEDICATED TAXES FOR STATE K-12 EDUCATION
FUND FY94: (MILLIONS)

TOTAL VT REVENUES:		FOR ALL EDUCATION EXPENSES, INCLUDING			
PROP TAX	100	371.3	SPECIAL ED, EEE & SUCCESS BY SIX,		
"LUNCH MONEY"		55.7	& TEACHERS RETIREMENT	212.997	212.997
SALES TAX	2.5	79.9	(LESS FED) LOCAL	505.864	477.8602
INC TAX	16.5	184.0		718.861	690.857
(#3)			ADJ 1/28	690.9	718860750
		43.4%	% OF FY93	OTHER LOCAL	104%
			(#1)	(#2)	(#1)

SOURCE: SEPT 92 CONDITION OF EDUCATION REPORT - (#2)

SOURCES OF REVENUES		FY93 BUDGET		FY94 BUDGET	
EST 92-93	% OF TOTAL	ADDL STATE	FOR TEACHER	RETIREMENT, ETC:	
STATE 193,236,000	27%	19,254,922	212,490,922	212,997,000	
FED 38,630,000	5%				
RES 240,794,000	34%				
NON R 185,654,000	26%				
"LUNCH MONEY 55,327,000	8%		55327000	58093350	
		426,448,000	PROPERTY TA 426448000	447770400	
TOTAL 713,641,000			694265922	718860750	
CURRE 673,626,000			(#2)	(#2)	
OTHER EXPENSE? 40,015,000					

SOURCE: STATE OF VERMONT FINANCIAL STATEMENT 9/92 - (#3)

REVENUE BASE: PROPERTY TAX, INCOME TAX, SALES TAX

EQUALIZED PROPERTY TAX - FAIR MARKET VALUE 1991-92

PER PENNY:

\$0.01

EST 1	367,661,025.13	3,676,610	USED FOR FY92 ESTIMATE
INCRE 1.01	367661025.13	3,676,610	USED FOR FY93 ESTIMATE
	371337635.38	3,713,376	USED FOR FY94 ESTIMATE

AVERAGE ASSESSED PROPERTY TAX PER PENNY:

ASSESSED VALUE 92 \$0.01

EST94 1.01	285,776,244.45	2,857,762
	288634006.89	2,886,340

INCOME TAX

as per DW 2/8/93

	FY92	FY93	FY94
REVENUES	271.4	292.1	295.8
EST AVG %	30	30	26.5
REV/PT	9.0	9.7	11.2
EST AVG \$ PER PT:*	(MILLIONS OF DOLLARS)		

SALES	FY92	FY93	FY94	RMS & MEALS	FY94
REVENUES	157	166.1	145.4		62.1
RATE	5	5	4.55	VS. 4% & 7%	8
REV PER PT:*	31.4	33.2	32.0	(DW EST 2/8/	7.8

DEPT OF EDUCATION FIGURES JANUARY 22, 1993 - (#1)
MILLIONS 1.035 1.044

	FY92	FY93	FY94	ADJ FY94
LOCAL	434.537	449.746	469.535	477.860
STATE	204.826	211.995	221.323	212.997
FED	32.564	33.704	35.187	35.187
TOTALS	671.927	695.444	726.044	726.044
STATE(ED DEPT	204.826	211.995	221.323	212.997
GOV'S BUDGET	218.266	212.491	212.997	212.997
(#4)				
ADDL STATE	13.440	0.496	(8.326)	0.000
ADJ TOTAL	685.367	695.941	717.718	726.044
LESS FED	(32.564)	(33.704)	(35.187)	(35.187)
VT ADJ 1/28	652.803	662.237	682.532	690.857
LUNCH MONEY	51.710	53.520	55.875	56.865
0.119				
PROPERTY TAX	382.827	396.226	413.660	420.995
0.881				
TOTAL LOCAL	434.537	449.746	469.535	477.860
(#1)		(#1)		(#1)

* PROPERTY TAX REFORM *

CHANGES IN HOW WE ASSESS PROPERTY SHOULD ACCOMPANY ANY MAJOR SCHOOL FINANCE REFORM THAT DEPENDS UPON A STATEWIDE PROPERTY TAX. A CLASSIFICATION SYSTEM, WITH A HOMESTEAD EXEMPTION, COULD REPLACE FAIR MARKET VALUE ASSESSMENT TO RELIEVE THE BURDEN ON RESIDENTIAL PROPERTY OWNERS. CURRENT USE ASSESSMENT ON PRODUCTIVE FARM AND TIMBER LANDS WOULD MAKE IT POSSIBLE TO DISCONTINUE THE STATE CURRENT USE PROGRAM WHILE PROTECTING THESE LANDS FROM DEVELOPMENT PRESSURES. I WOULD SUGGEST SOMETHING LIKE THE FOLLOWING APPROACH:

COMMERCIAL 120% OF FMV
SECOND HOME 100% OF FMV
RENTAL RESIDENTIAL - 2 CLASSES (RENT STABILIZED VS. SPEC)
RESIDENTIAL 100% AFTER HOMESTEAD EXEMPTION OF 25000
PRODUCTIVE FARM & TIMBER 100% USE VALUE

*NO ADDITIONAL CURRENT USE PROGRAM
*CONTINUED LIMITED REBATE PROGRAM

FOR MUNICIPAL/TOWN TAXES(TO OFFSET INCREASED SCHOOL PROPERTY TAXES):

PROPERTY TAX CONTINUED WITH NEW ASSESSMENTS
"PILOT" ON STATE OWNED PROPERTY
REVENUE SHARING/MUNICIPAL REBATE OF ONE CENT SALES TAX (70%)

December 30, 2014

To: Shaftsbury Select Board

CC: Bennington Banner

LOOK ON THE BRIGHT SIDE;

The Shaftsbury Select Board recently made a questionable decision to discontinue a seven dollar surcharge on dog licenses. Fees and charges vary depending on sex and other factors but the average cost is about \$25. One third of the town's population (700 dog owners) will benefit from this reduction at the expense of two thirds who may be making up the difference.

Total revenue from dog licenses and State and local surcharges can amount to (\$25 x 700) \$17,500. Some may wonder why dogs are the only pets that are licensed to help support the town budget? Why are cats and other household pets denied the same opportunity?

Strong leadership will be required to approved and implement this plan after recognizing the possibility of surplus funds and balances and lower taxes. The big question is a reasonable estimate of the total dog and cat population including unlicensed dogs. Other household pets could be included but wild and food proudcing animals would be exempt.

For example: Let's assume that one half of the town's residents have one or more pets to license at a fee of \$25. each. 1,000 pets at \$25. amounts to \$25,000/year. Suppose the actual head count is 2,000, the revenue jumps to \$50,000. Who said we can't afford a salt shed and a new town garage on the convenient lot next door?

Best regards,

John J. Billow

Senior Citizen



6 Church Street, Rutland, VT 05701
 Phone: 802-773-1900
 Fax: 802-773-1927
 Web: www.rutlandcitypublicschools.org

Mary E. Moran, Superintendent
 Robert S. Bliss, Assistant Superintendent
 Peter P. Amons, Chief Financial Officer
 Eloise S. McGarry, Director of Support Services

December 31, 2014

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 to 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.



December 31, 2014

VIA ELECTRONIC MAIL

The Honorable Shap Smith
Vermont State Representative
Office of the Speaker
115 State Street
Montpelier, VT 05633

Re: Request for Education Finance and Education Spending Proposals

Dear Speaker Smith,

The Vermont Chamber of Commerce has long stood behind the tenant that a well-educated and well-trained workforce, developed through state supported and state encouraged education and training is the foundation of a successful society. Further to your request for education finance and education spending proposals to create a system that is sustainable and affordable for taxpayers, the Vermont Chamber of Commerce supports policies that address the rising costs of education (not only governance and revenue structures), do not increase the reliance of funding education on the income tax and will fund a system that addresses the talent acquisition needs of our employers.

Spending and the Rising Cost of Education

It has become obvious that we must curb overall education spending and spending per pupil to conform with the State's revenue growth. To reduce the cost of providing primary and secondary public education, and thereby lowering the tax burden, please consider the following:

- The implementation of a standardized statewide cost and revenue accounting system for all districts and supervisory unions;
- Complete transparency for all districts and supervisory union cost and revenue accounts and projections;
- Exploring efforts to redefine student equity in terms of programs rather than dollar amounts and the establishment of a reasonable cost standard for public education, as proposed by the Accountable Education Funding Working Group;¹

¹ "AEF Statewide Excellence in Education Commitment Funding Proposal." *Fix VT Education Funding*. Accountable Education Funding Working Group, n.d. 31 Dec. 2014.
https://fixvtedfunding.files.wordpress.com/2014/12/aef-working-group-seec-proposal-12_16_14.pdf



- As suggested by the South Burlington School Board, place a moratorium on unfunded mandates until the legislature has identified a sustainable funding mechanism for recent mandates;²
- An examination of potential cost-savings through consolidation of school districts; and
- An examination of lowering the number of teachers and support personnel relative to the number of students.

Per the Vermont School Boards Association and the Vermont Superintendents Association's report, *A Situational Analysis of Public Education in Vermont*, the Vermont student population has been steadily declining since the late 1990s, while the number of working teachers and paraeducators has held relatively steady.³ We now have the lowest staff-student ratio and teacher-student ratio in the nation. The legislature should implement a clear pathway to right sizing our education system.

We must keep and reward our great teachers and education professionals we have in the state, however, according to the above mentioned *A Situational Analysis of Public Education in Vermont*, staff salaries and benefits account for 80 percent of an average school budget.⁴ This fact cannot be ignored while looking at options to bend the cost curve for education spending. Per Governor Shumlin in a letter to Education Secretary Rebecca Holcombe, if we increase our student-staff ratio from 4.67:1 to 5:1 there is a potential to save \$74 million annually.⁵ This is a modest goal worthy of significant legislative deliberation. In addition to increasing student-staff ratios, the education community should participate in the statewide changes to health care cost sharing to reduce the burden on taxpayers. The Vermont Chamber of Commerce encourages lawmakers to explore statewide school choice focusing on grades 9-12, performance-based compensation for teachers and greater flexibility in teacher certification requirements.

With regard to implementing performance based pay for teachers, the National Council on Teacher Quality's policy findings for Vermont state, "Although the state has established a data system with the capacity to provide evidence of teacher effectiveness, it has not taken other

² "Proposals for Addressing Education Funding Challenges." *South Burlington School District*. South Burlington School Board, n.d. Web 30 Dec. 2014.

<http://www.district.sf.sbschools.net/modules/groups/homepagefiles/cms/483095/File/School%20Board/Education%20Funding/Education%20Funding%20Challenges%20121114.pdf>

³ "2014 Vermont Education Situational Analysis." *VT VSBA*. Vermont School Board Association and Vermont Superintendents Association, n.d. Web 30 Dec. 2014. <https://www.youtube.com/watch?v=QvNmAF7kC3U>.

⁴ "2014 Vermont Education Situational Analysis." *VT VSBA*. Vermont School Board Association and Vermont Superintendents Association, n.d. Web 30 Dec. 2014. <https://www.youtube.com/watch?v=QvNmAF7kC3U>.

⁵ Shumlin, Peter. Letter to Secretary Rebecca Holcombe, 19 Aug. 2014. *Office of the Governor*. N.p. *VT VSBA*, Web 30 Dec. 2014. <http://www.vtvsba.org/GovShumlinLetter8-19-14.pdf>.



meaningful steps to maximize the system's efficiency and potential."⁶ Additionally, the National Council on Teacher Quality findings include that annual evaluations for teachers are not required, and neither tenure decisions nor licensure advancement and renewal are based on teacher effectiveness.⁷ This data is supported in the American Legislative Exchange Council's 2014 Report Card on American Education, where Vermont received a D+ for our state-level education policies that provide high-quality educational options to all students.⁸ While Vermont's education system in total produces enviable results, the legislature should not only look at labor as the largest cost-driver, but also the educational policies surrounding our educators and ways to ensure we have the most effective staff in our schools.

Do Not Increase the Reliance on the Income Tax

The Vermont Chamber of Commerce will support proposals that do not unfairly target people based on family size or income, and do not unfairly target businesses to fund or subsidize reforms. Some of the recommendations that have been introduced thus far, such as the Variable Income Tax plan, suggest replacing the current residential education property tax mechanism with a variable income tax and a much lower flat residential education property tax. As of November, personal income tax revenue has now underperformed every month since April 2014.⁹ It would be unwise to tie education funding to such a volatile tax. Additionally, Governor Shumlin recently stated at a press conference on December 17 that Vermonters and the Vermont economy would not be able to withstand a new payroll tax and a sliding-scale income tax to fund a single payer health care system. If Vermont cannot afford an income or payroll tax increase for health care reform, Vermont cannot afford an income or payroll tax increase for education finance reform. We must address the spending side of the education finance equation, not which pocket we pay out of.

Workforce Training and Development

Attracting a workforce trained with the skills that address the critical talent acquisition needs of Vermont's businesses is crucial to the state's future economic success. The Vermont Chamber supports:

⁶ "State Policy Yearbook: Vermont." *State Policy Yearbook*. National Council on Teacher Quality, n.d. Web 30 Dec. 2014. <http://www.nctq.org/statePolicy/2014/statePolicyFindings.do?stateId=47>.

⁷ "State Policy Yearbook: Vermont." *State Policy Yearbook*. National Council on Teacher Quality, n.d. Web 30 Dec. 2014. <http://www.nctq.org/statePolicy/2014/statePolicyFindings.do?stateId=47>.

⁸ Ladner, Matthew and Mylinski, David. *Report Card on American Education: Ranking States K-12 Performance, Progress and Reform*. Publication. Arlington: American Legislative Exchange Council, 2014. Web 30 Dec. 2014. http://alec.org/docs/ReportCard_19_Edition.pdf

⁹ Niles, Hilary, "Data Visualization: Personal Income Receipts Fall Short Again," *VTDigger*, N.p. 08 Dec. 2014. Web, 30 Dec. 2014. <http://vtdigger.org/2014/12/08/data-visualization-personal-income-receipts-fall-short/>



- Sustained and increased funding for federal and state vocational education programs, including the Vermont Training Program and the Workforce Education and Training Fund;
- Better alignment of all elements of education and workforce development programs with national standards and business-specific skills to better prepare students for the workforce; and
- A greater emphasis on science, technology, engineering and math (STEM) in our K – 16 education system.

If we can grow the economy by giving graduates skills to work for one of our great in-state employers, while also drawing new people and businesses to Vermont, we will increase the tax base to pay for state programs, such as education.

Thank you for taking up this very important issue and soliciting input from the business community. Our focus this year will continue to be on growing the economy and promoting education and training policies that create talent for our employers. If you have any questions on our policy positions outlined here please do not hesitate to contact Betsy Bishop at 802-229-2209 or Kendal Melvin at 802-262-2130.

Sincerely,

A handwritten signature in blue ink that reads "Kendal Melvin". The signature is written in a cursive style.

Kendal Melvin
Government Affairs Specialist
Vermont Chamber of Commerce



**Lake Champlain Regional
Chamber of Commerce**

December 31, 2014

ATTN: Education Reform
House Speaker's Office
115 State Street
Montpelier, VT 0563

Dear Speaker Smith,

On behalf of the Lake Champlain Regional Chamber of Commerce, I first want to thank you for your continued focus on education reform. LCRCC strongly supports changes to our education system that would improve outcomes while reducing the growth of education spending.

We would encourage the Legislature to explore the following:

- Create a commission, similar to the military's base closure commission, to reduce the number of supervisory unions in Vermont and combine small or underperforming schools;
- Implement a statewide school calendar to increase efficiencies and allow more access to technical education and other programs that enrich a student's learning experience; and
- Transition to a statewide teacher contract with regional cost of living allowances to reduce the amount of time unions spend on contract negotiation.

With regard to the current education funding system, LCRCC does not support some recent proposals that have suggested moving to an income tax for education. However, we would support reducing current income sensitivity access and are interested in proposals that more closely tie local spending decisions to residents' pocketbooks.

We look forward to engaging on education reform during the 2015 Legislative Session and appreciate your work on this issue.

Thank you,

Tom Torti
President
Lake Champlain Regional Chamber of Commerce



TO: The Speaker of the Vermont House of Representatives

FROM: Scott Thompson and Rick Kehne, residents of Calais, Vermont

SUBJECT: Reform of Public Education Finance and System

A PROPOSAL to fund 100% of yearly local pre-K-to-12 public school expenses with a two-track, state-local financing system that revitalizes the spirit of Acts 60/68:

Recognizing that widespread and growing dissatisfaction with the current property tax-based education funding system threatens the state's commitment to high-quality public education under local control, we propose to split the actual funding mechanism into a two-track taxation system: one track to be based on local property tax, the other to be shifted to a statewide income tax platform. The goal is to ease the property tax burden on property and business owners while continuing, and even strengthening, Vermont's educational excellence as well as our unique and effective tradition of local governance.

Track I - Local property-based: non-educational expenses (real property, capital spending, building operations and maintenance, debt service -- may also include busing, perhaps even sports, etc., comprising about 20% of costs)

We aim to relieve the unequal property tax burden and to reconnect voters with the direct consequences of their decisions for themselves and their schools.

The statewide residential property tax would end. Local towns and school districts would take it over for the purpose of funding the upkeep of their school's physical shell and other school-related non-educational costs.

Track II - Statewide Income-based: educational services (all that pertains to teaching & learning, comprising about 80% of total costs)

We aim to assure substantial equality of educational opportunity *and* to distribute fairly the burden of supporting it, taking account of growing disparities in income. The aggregate cost of educational services would claim a statewide revenue stream from personal income.

The income assessment could draw from adjusted gross income (AGI) or a new base (e.g., gross income minus annualized livable wage, adjusted for family size). Each income-earning household would pay at a minimum the same share of aggregate costs for educational services as its share of aggregate AGI (or aggregate surplus income otherwise defined). For example, if "the top 2% of tax filers in Vermont reported 24% of all income," then the top 2% of tax filers would pay at least 24% of aggregate educational services costs, as all others would pay in due proportion.

This payment would adjust up or down, depending on where the filer's local school budget stood in relation to the state average.

Further Incentives to spend more efficiently for educational excellence

A statewide non-residential and commercial property tax could finance a “structural adjustment fund” to help schools improve student outcomes more efficiently. The state could make use of excess school capacity for social services, e.g., embedding DCF case workers, developing peri-natal courses and crèches for new mothers. Etc.

Rick Kehne, rkehne@gmail.com, 229-4545
Scott Thompson, hernalser@aol.com, 223-8483

Legislative action required

To put in place the two-track system:

- Draw the line separating “educational services” from “non-educational expenses.” This is a crucial step, as it determines what gets paid for out of a statewide income levy and what is covered by local property taxes. It becomes especially tricky as the line moves beyond clear categories such as real property and capital expenses into grey areas such as busing, sports, or information technology.
- Redefine the state’s Education Fund as a holding account solely for public schools whose budgets are locally voted and are thus funded by the income assessment. Corrections and any other public primary and secondary schools under direct state control would be paid for out of the General Fund.
- Repeal the statewide residential property tax. Devolve upon towns and school districts the authority to tax residential property in order to pay for local schools’ non-educational expenses.
- Retain a statewide non-residential and commercial property tax, preferably with a statewide Grand List (vs. town Grand Lists adjusted by the all-too-volatile Common Level of Appraisal). Use this revenue stream for any improvement that demonstrably improves both educational quality and operating efficiency. Particularly reward efforts to join with other municipalities in cooperative efforts.
- Establish the statewide income assessment as a separate computation on the state income tax form, using an adjusted *ratio* formula instead of tax brackets, in order to keep up with the increasing concentration of income in an ever-smaller segment of the population. (All of us -- and the very wealthy most especially -- have an interest in a high-quality public education system.)

To encourage fiscal discipline and efficiency in striving for educational excellence:

- Require that each school district engage in capital planning and funding, in order to inform voters of long-term budgetary needs, to discipline spending for major and predictable plant expenses, to stabilize tax rates, and to avoid having to bond in order to make up for long-hidden deferred maintenance.
- Authorize local school boards to enter into joint ad hoc formations with boards outside their supervisory unions in order to address common issues of concern (e.g., busing, course sharing, sports, etc.). These formations could be patterned after the existing Regional Planning Commission model.
- Harness elements of the “school choice” agenda to help identify which schools remain viable as enrollment drops.

What this would look like in practice

For voters, the new school budget process would closely resemble the old one, except that voters would be more engaged. School boards would draw up two budgets for approval at town meeting, one for educational services and one for non-educational expenses. Voters would know immediately the effects of any amendments to the latter on their local property tax rate. In most towns the new rate would amount to about 20% of their 2014 property tax bill for education. Income sensitivity would no longer apply to property tax.

Income taxpayers would file W-4s to specify withholding rates for the income assessment. This would represent a new subtraction from their paychecks, thereby lowering disposable income somewhat. The effect would nevertheless be much gentler and less disruptive economically (and no doubt politically too) than the property tax has been.

The Agency of Education would perform much of the same work it does now, including calculating the statewide average per-pupil cost, which will serve as the norm for working out any penalties for excess spending or premiums for lower spending that the legislature might ordain.

The Department of Taxes would appear to have the biggest adjustments to make, reprogramming resources from managing the statewide property tax to the new income levy.

Once it set the new system in motion, the Legislature would no longer have to agonize over the amount to transfer from the General Fund to the Education Fund, nor over the state base amount and rate for the education property tax, nor for that matter over sweeping changes to the public education system. The new system would provide both incentives and organizational tools for school districts to spend more efficiently both alone and in combination with other boards regionally and even statewide, liquidating excess capacity where voters choose to do so, consolidating where voters decide this makes sense, and adapting more naturally to Vermont's unnaturally low fertility rate.

Rick Kehne, rkehne@gmail.com, 229-4545
Scott Thompson, hernalser@aol.com, 223-8483

Lauren Morando Rhim
PO Box 483
Norwich, Vermont
05055

December 31, 2014

Shap Smith
Speaker's Office
Vermont House of Representatives
115 State Street
Montpelier, Vermont 05633

Dear Honorable Speaker Smith,

I applaud your effort to catalyze the conversation regarding education finance. I don't know if you remember me but we were friends at UVM many years ago. After nearly 20 years in Washington, DC, my family returned to Vermont in 2008 and we are happily settled in the Upper Valley. My children attend the Norwich and Dresden school districts. Professionally, I work in the field of education and have devoted much of my career to researching and supporting school improvement efforts, initially at the University of Maryland and most recently working on two federally funded centers regarding innovation and school turnaround. On a more local level, I served as a school board member in Norwich from 2011-2014. I share this background to give you a sense of my perspective.

Effective education depends on many disparate and moving parts: if you adjust one thing there is impact on others. In considering education finance in Vermont, how we spend our dollars is as important as how we collect the dollars and how many dollars we collect. With this in mind, I would like to share my thoughts and suggestions for you to consider as you work to improve the way we finance our schools in Vermont. Many of these recommendations would take a couple of years to bear fruit but have the potential to improve school finance long-term.

1. **Offer incentives to districts to reduce budgets in concert with enrollment drops.** Too often school budgets go up when enrollment increases but fail to drop correspondingly when enrollment decreases. The state could encourage more robust appraisals of district budgets by offering incentives to districts demonstrating decreases in their budget in proportion to enrollment drops.
2. **Develop an effective campaign to communicate need to reduce costs.** Many local school board members are relatively disconnected from the legislature and consequently, calls for reduced costs fall to deaf ears while tax increases spur frustration with "the state." An effective public relations campaign and targeted communication with school board chairs could help local school boards and community members understand that they must actively revisit long-standing policies and practices if we are going to effectively decrease our collective tax burden. All too often, budget decisions are based on standard operating procedures and tradition as opposed to rational examination of data. My observation is that many residents want to pay fewer taxes but are completely unwilling to consider changes that would lead to reductions. For instance, do all high schools need to have football teams and cheerleading squads? Is it feasible for small districts to employ advanced science and mathematics teachers or offer three languages and if so, what trade-offs are communities willing to make to continue these practices?
3. **Provide incentives for districts to leverage technology to reduce staff.** While I understand and respect the deep-seated commitment to local control, high per pupil costs are the trade-off for

prioritizing local control. Along with the fiscal reality campaign, the state could offer incentives for districts to explore alternatives to traditional staffing patterns. For instance, the state could expand the current dual-enrollment program to encourage students to take rigorous advanced classes through our higher education system or alternatively, create a high-quality virtual academy for advanced classes to reduce the need for districts to hire as many secondary faculty members. I am not suggesting that we convert our high schools to virtual academies but blended learning options have promise for small districts that frequently struggle to find and afford qualified personnel. In a similar vein, many districts hold small class-size sacred when decades of research indicate that there are far better ways to allocate resources that generate better outcomes (e.g., hire, retain, and optimize the time of more effective teachers and pay them more).

4. **Infuse greater accountability attached to funding.** Too often state education agencies serve as funding pass-throughs, thereby essentially giving away their ability to ensure dollars are optimized. For instance, in reading about the new federal preschool grant Vermont is due to receive, my first question was how does the state plan to ensure these dollars are used to create high-quality pre-school programs that generate gains for kids rather than support publically funded childcare thereby shifting the cost burden from parents to the state? In an effort to reduce costs and improve outcomes, I recommend that Department of Education and legislature hold districts more accountable for outcomes associated to various funding programs.
5. **Examine income sensitive formula** to limit reduction of tax liability to a smaller proportion of residents who cannot afford to pay taxes. While I have no problem with wealthier residents paying a significant portion of property taxes, the downside is that lightening the burden on middle class taxpayers has the unintended consequence of removing a critical incentive for them to engage in a robust debate regarding school budgets. Based on my experience, these local debates are essential to local boards exercising fiscal restraint. By decreasing the proportion of residents who qualify for income sensitivity, you will re-engage more middle-class families in local school funding debates frequently dominated by school personnel rather than taxpayers.
6. **Examine special education** and strive to align key enrollment, service provision, staffing and outcome metrics with national averages (e.g., students identified as eligible for special education, served in segregated settings, provided a full-time classroom aid, and graduating in four years) (see links below*). Due to often-misguided concerns about compliance with federal and state laws, special education is frequently considered off limits during budget season. While the manner in which we educate students with disabilities is shaped by federal and state statute, oversized concerned about compliance frequently drives up the cost of providing a free and appropriate public education without notably improving the quality. For instance, I have witnessed districts in Vermont and in other states inappropriately hire full-time aides for students rather than examine strategies to support students that would not entail relying on largely untrained personnel to essentially supervise students. These decisions are frequently made mid-year as a band-aid solution when a student's needs emerge. I acknowledge that Vermont was identified by the U. S. Department of Education as one of a handful of states with successful special education programs. If analyzed, however, according to cost-per-pupil, I propose we are not getting as much return on our special education investment as we could be. This is not good for kids or the financial bottom line. Furthermore, while I applaud Vermont's commitment to students with disabilities, the general special education reimbursement formula significantly reduces accountability for placement decisions. I have sat through numerous budget discussions during which board members were assured "not to worry about special education costs because the state will reimburse us."

**See data published by the Vermont DOE: <http://education.vermont.gov/special-education/publications/child-count-data/2013> and compare to national trends published by the U.S. Department of Education <http://www2.ed.gov/about/reports/annual/osep/2013/index.html>*

7. **Engage teacher and leader training programs** to ensure graduates from our traditional and alternative certification programs are highly skilled and prepared to teach and lead our schools effectively today. One metric of success of K-12 systems is the degree to which students require remediation when they enroll in post-secondary education. Yet, we do not apply this same metric to programs that train our teachers or our principals. In fact, these programs are frequently tone-deaf to the actual needs of K-12. I say this having worked in a college of education for 12 years and had exposure to many other preparation programs. If our preparation programs prepared the teachers and leaders our schools **need**, we would not need to invest as much time or resources in professional development. Modest ongoing professional development should be a part of any professional's growth but we simply cannot afford to continue to train teachers and leaders who arrive unprepared. Furthermore, professional development frequently has the secondary impact of leading to our students being taught by substitutes rather than qualified teachers who know the curriculum.

In closing, the need to reduce costs is an opportunity to revisit how we finance our schools but more importantly, how we allocate resources. Given our small size and deep commitment to public schools, we have the opportunity to make changes that would be impractical in other states due to size and diversity. I fully support your efforts to improve our finance system and would be happy to be a part of the conversation.

Best regards,



Lauren Morando Rhim, Ph.D.
Norwich, Vermont
(301)655-1992
rhim4@comcast.net



Vermont School Boards Association

2 Prospect Street, Suite #4, Montpelier VT 05602
 Tel. 1-800-244-VSBA or (802)223-3580 Fax: 802-223-0098
 Visit our web site at: www.vtvsba.org

December 31, 2014

Speaker Shap Smith
 Vermont House of Representatives
 115 State Street
 Montpelier, VT 05602

Dear Speaker Smith,

First, thank you for meeting with the Vermont School Boards Association (VSBA) Board of Directors on December 17. It was good to hear your perspectives on issues that are of great importance to our members.

The day following our meeting, you put out a request for ideas to be considered during the upcoming legislative session. The VSBA has tried to steer clear of specific proposals to which it must remain wed in the midst of a dynamic debate. At the same time, we, as much as anyone, recognize the compelling need for change and want to be positive contributors to solutions. Therefore, what we will be offering in response to your request is fairly broad in nature. We look forward to working with you to clarify a path ahead that can receive the support of Vermont's school boards. Please include us in your planning. We are most likely to succeed as a state if there can be strong alignment between state and local officials.

We assume two closely-related issues will dominate the legislative debate on public education. Both are matters of concern to school board members who are charged with assuring all students in their communities receive a quality education at an affordable price. The first issue is rising property taxes. The second is assuring our ability over the long-run to provide equal access to quality education at a reasonable cost. We believe that both must be addressed this session.

Property Tax Relief

Some measure of property tax relief must be achieved this legislative session. Failure to do so will likely result in a large number of budget defeats with serious consequences for education quality.

Officers

Emily Long
 President
 Leland & Gray UHS

Geo Honigford
 1st Vice President
 Royalton

Kim Gleason
 2nd Vice President
 Essex

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 Past President
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We believe that there are four primary actions that are needed to address the rise in property taxes:

1. Control Costs

We understand that boards need to continue to work to control the per-student cost of education. Local boards have an obligation to reduce personnel at a time of decreasing enrollment and to explore every possible avenue available to them to achieve cost savings, including partnering with neighboring districts to achieve efficiencies. We assume that the legislature will adopt measures that will place additional pressure on districts that have high per-pupil spending or that have very low student/teacher ratios.

The VSBA is hopeful that legislators will spend equal time exploring ways to temper health care costs borne by school districts; one promising idea is the creation of a statewide health insurance pool for all public employees, which would mean the health insurance benefit for school employees would be negotiated at the state level. Should such an approach be enacted, it will be critical for school boards to have a voice at the table during those negotiations.

We also urge the General Assembly to support the Governor's call for a moratorium on unfunded mandates.

2. Support Board Efforts to Negotiate Contract Changes

A major cost driver for education budgets is contracts governing employee pay and benefits. Vermont-NEA has been very effective at establishing a comparable pattern of contract settlements that is then used regionally to pressure other school boards to accept similar salary and health insurance settlements. This "comparability pattern" is the single most important factor used by neutral fact-finders when making their statutorily required report to the negotiating parties. Fact-finders give much greater weight to regional teacher settlements than more meaningful economic factors, such as the condition of the local economy, the consumer price index (CPI), tax burdens, employment data, salaries or pay raises by community members, or measures of household and personal income.

In order for locally-elected boards to have a chance at negotiating much-needed changes to their collective bargaining agreements – changes to health benefits plans, salary indexes and reduction in force provisions – the influence of this comparability factor must be reigned-in by legislators. The right to organize, bargain, and strike need not be modified. However, because the fact-finder's report carries such weight in public opinion as the bargaining process nears closure, it should be based on more substantive and credible criteria. We urge the legislature to consider modifying 16 V.S.A. §2007 to require neutral fact-finders to consider only a statutory list of legitimate measures of a community's ability to pay, rather than a pattern of area salary and insurance benefits that purports to demonstrate financial wherewithal but in fact does not.

3. Limit Uses of the Education Fund

One upward pressure on property taxes has been costs being shifted to the Education Fund. The Education Fund, supported in large part by property taxes, should only be used for costs overseen by a local board. Other costs should be covered by an appropriate broad-based tax. Examples of programs that should be removed from the Education Fund are Adult Basic Education, the Community High School of Vermont, and retired teacher health care benefits.

4. Move to a Funding System that is Less Reliant on Property Taxes

One of the biggest complaints among board members has been that a greater and greater percentage of total education spending is being carried by property taxes. That percentage increased from 61% in 2005 to 68% in 2015. We urge the General Assembly to consider ensuring a predictable split (e.g. 60% property/40% other revenue) that would give local boards (and their electorates) and the legislature equal interest in controlling the costs of education and controlling property taxes. It is understood that cost-control measures will be important for there to be agreement on a defined split.

We are encouraged by the legislative interest in moving away from taxes based on property values and toward an income-based tax for all residents. We are anxious to engage around the specific ideas being generated.

Education Equity, Quality, and Cost

Equally important is the imperative to assure we can achieve the best education system in the nation at an affordable price. Although as a state we perform better than most, we have significant inequities between students of various socio-economic circumstances and across districts and regions of this state. Our declining student enrollment, combined with little change in the number of personnel, is pushing our cost per student to be the highest in the nation. We are having trouble attracting and retaining high level education leadership. We must position ourselves to be able to design our systems and deploy our resources more flexibly, while maintaining our strong community roots.

In 2014, the Vermont House proposed to tackle these issues by moving toward larger PreK-12 education districts (H883). The biggest challenge of that approach was the perception that all districts would be affected equally, regardless of varied circumstances. The VSBA was very supportive of the need to address our fundamental problems, but was divided on the wisdom of the specific H883 approach. We support efforts this year that would:

- Establish a policy goal of integrated preK-12 education systems.
- Expect the Agency of Education to provide thorough and accurate data on the performance and costs of each district and/or supervisory union.
- Increase incentives and supports for pursuing voluntary mergers, including construction aid incentives.
- Establish a process where the Agency of Education and State Board may intervene where performance and/or cost indicators show there to be significant problems.

Education in Vermont is a joint responsibility of state officials and locally-elected school boards. We are ready to work together to find the right solutions for Vermont. Please let us know how we can be of help.

Sincerely,

A handwritten signature in blue ink that reads "Stephen R. Dale". The signature is written in a cursive style with a long horizontal line extending from the end.

Stephen R. Dale, Executive Director

A handwritten signature in blue ink that reads "Nicole L. Mace". The signature is written in a cursive style with a long horizontal line extending from the end.

Nicole L. Mace, General Counsel

Ethan Allen Institute

IDEAS FOR VERMONT'S FUTURE

December 30, 2014

Speaker Shap Smith
State House
Montpelier VT 05633

Dear Shap:

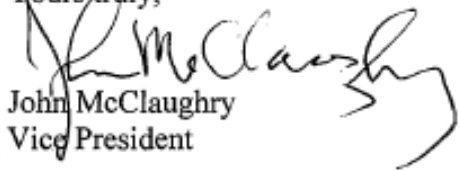
I am responding you your request for ideas for "education reform" from "any and all sources."

A couple of years ago you asked for a reasonable conversation on "climate change" between your AGW Believers and the AGW Skeptics. As one of the latter (with degrees in physics and engineering), I eagerly volunteered to have just such a conversation. I was soon chagrined to learn that you had no intention at all of having any such conversation.

However, hope springs eternal, so I am enclosing a selection of my writings on the subject of education cost containment, property taxation, etc. for your edification. My experience in this field comes from my service in the House, when we enacted the Miller Formula, and in the Senate, where I was vice chair of the Education Committee, and as the author of over forty commentaries and two major reports on the subject, most recently *Better Value, Fewer Taxpayer Dollars* (2009) (at http://www.ethanallen.org/pdf/educationreport_2009.pdf). My 2007 testimony to a House Education Committee hearing in 2007 is a good place to begin.

I would be pleased to discuss this with you in person, or testify again on this subject, at the appropriate time and forum.

Yours truly,


John McClaughry
Vice President



Ethan Allen Institute

4836 Kirby Mountain Road
Concord VT 05824
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House Education Committee Public Hearing, State House, March 14, 2007

Containing the Costs of Education

The legislature passed Act 60 in 1997. Its key features were breaking the fiscal link between local taxpayers and local schools, levying two new state property taxes to fill the new Education Fund, and dramatically expanding centralized control over public education.

In the decade since that year, the number of public school teachers has increased 20%, the number of school support personnel has increased 21%, the number of pupils has declined by 9%, the pupil-teacher ratio remains the lowest in the country at 11.3 to one, and the real cost per pupil has escalated by 44%. If the present trend continues for 23 more years, the cost per pupil, in constant 2005 dollars, will be an astonishing \$33,400. No wonder Vermont's taxpayers are demanding that education costs be at the very least contained.

So what can Vermonters do to curb education costs? Let's look at the Big Picture. Here are five proposed "solutions".

Solution One: Keep on paying the increasing costs of our bureaucratic, centrally controlled public school monopoly system. This is the favored solution of the teachers union, superintendents, school boards, and everybody else who has a piece of the education action. Their slogan is "whatever it takes for our kids".

When property taxpayers finally say they can't bear the costs of Solution One, its backers shift to **Solution Two:** Shift the costs of our bureaucratic, centrally controlled public school monopoly system away from the homestead property tax, and onto broad based taxes, primarily the income tax (with generous "income sensitivity" provisions) but also to the nonresidential property tax.

Under this solution, "the rich", businesses, and second homeowners will foot ever more of the education bills. That can work only until they figure out what is being done to them, dump their second homes at fire sale prices, and take their businesses and higher incomes away with them to New Hampshire, Florida or Texas.

Then there is **Solution Three.** Let's make our bureaucratic, centrally controlled public school monopoly system more efficient. The current focus of this argument is on governance.

If we could consolidate the costly overlay of local school boards and supervisory unions into 63 unified districts with unified tax bases, so the advocates say, we could shrink 284 school boards down to 63, and (supposedly) save lots of money.

This major structural change in public education would make life much simpler and easier for often-overworked superintendents – but there would still be 63 of them. They would doubtless be more highly paid, and they would doubtless need one or more well-paid deputy and associate superintendents. So where would the savings come from?

Any significant savings can only come from consolidation of small schools into large schools. Whether large schools are more efficient than small schools has been hotly debated for decades. There is precious little evidence that they can get the same results for fewer tax dollars, and there appear to be some serious behavioral side effects associated with enormous public schools. In any case, this solution has always stimulated serious local resistance.

Let's move on to **Solution Four**, the no-nonsense business solution: fewer schools, larger class sizes, fewer aides and counselors, fewer sports teams, leaner salary schedules, and less expensive high deductible health insurance similar to what private sector businesses are adopting, in place of the Cadillac plans usually enjoyed by teachers.

This common-sense solution runs up against community support for local schools and lots of sports teams. It is fiercely opposed by the Vermont-NEA, which isn't about to give up any benefit it has managed to negotiate over the past thirty years.

Solution Five is radical. Let's give up on the bureaucratic, centrally-controlled public school monopoly system, which guarantees steadily rising taxpayer costs regardless of the number of pupils, and regardless of their mediocre achievement.

In its place, empower all parents with scholarship money to pay for their children's education at any of a wide range of competing programs: public schools, independent schools, faith-based schools, charter schools, internet-based virtual schools, employer- and union-sponsored schools, mentoring programs, career-study programs, early college entrance programs, whatever arises to meet the demand in the marketplace, many of them at lower cost than the public school system.

That doesn't solve every problem, but competition in a real education marketplace will almost certainly restrain educational costs, improve efficiency, stimulate educational excellence, and increase student and parent satisfaction.

What's not to like? Nothing, unless you are part of, or wedded to, the bureaucratic, centrally controlled public school monopoly system. If you are, you will join a shrieking chorus denouncing Solution Five.

But hard-pressed taxpayers should remember this: Solution One will cost you more and more. Solution Two will destroy Vermont's economy. Solution Three won't work. Solution Four won't be tried.

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John McClaughry is President of the Ethan Allen institute. He was previously the vice chair of the Senate Education Committee.



Get Creative About Education Spending

BY JOHN McCLAUGHRY

Taxpayer anger about the rising costs of public education – reflected in steadily rising education property taxes – has become the central issue for the 2007 Legislature.

Since the passage of Act 60 a decade ago, inflation-adjusted per-pupil spending has risen 35 percent, from \$8,900 in 1996 to \$12,800 in 2005.

Education spending is now growing at the rate of 5.6 percent a year, almost twice the rate of income growth.

In 1996, there were 7,750 full-time teachers and aides in Vermont's public schools. In 2005, there were 8,800. This is a 14 percent increase, even as the number of students decreased by 9 percent.

Sixty-three percent of public education costs are paid from the property tax.

Taxpayers have good reason to be angry about all this. And the newly elected legislators and governor will certainly have to do something to respond to their demands for relief. In recent months several schools of thought have emerged.

One school, headed by Gov. Douglas, favors strengthening the hand of local taxpayers seeking to tighten school budgets. The governor wants to require a 60 percent supermajority for local voter approval of school budgets that exceed the combined growth in inflation and pupil

count (not counting special education and capital costs).

A second school, headed by the Vermont League of Cities and Towns, wants the Legislature to shift public school costs completely off the property tax and on to, well, anything else.

A third school is typified by the Vermont NEA. The teachers' union proposes to reduce the costs associated with pupil achievement testing as required by the federal No Child Left Behind Act. It also favors reducing overhead costs, supposedly, by creating multi-town mega-districts, where taxpayer resistance to higher spending would be much harder to organize.

The union has long advocated for taking the cost of health insurance out of school budgets and putting it on taxpayers generally through a "universal coverage" plan. This is the latest code name for Canadian-style single-payer health care.

A fourth school is "revolt and repeal." This proposal would repeal Act 60 and Act 68, effective in 2009. How the state would raise \$1.3 billion to pay for public education is left open for discussion.

Maybe it's time to think outside the box about cutting education costs.

Try this one: Give every child a voucher to attend the educational pro-



gram of his or her choice. Since many faith-based independent schools cost half of what public schools cost, this ought to save a considerable amount of money, even after paying for the children who already go to independent schools at their parents' expense.

Or, encourage the creation of virtual schools, like Oak Meadow School headquartered in Brattleboro. Oak Meadow is like a homeschooling network, with curriculum, testing and mentoring provided via the internet by qualified teachers. This is far less expensive than the conventional public school.

How about letting local voters vote on two school budgets, one for administrative and facility costs, and one for the instructional costs. The union would, in effect, have to defend its contract pay and benefits to the voters instead of burying them in a larger budget. The union intensely dislikes this proposal, but taxpayers might find it more attractive.

Here's another idea: Instead of voting on multi-million-dollar school budgets, figures too large for most voters to comprehend, why not let citizens vote to set the cost per equalized pupil that a community is willing to spend? Act 68 currently sets \$7,330 as the base number.

Instead of voting on \$1,392,400, or an amendment to shave it down to \$1,365,500, let the voters have a chance at saying "\$7,500 apiece, and that's it."

How about authorizing voters in supervisory unions to create education freedom districts, where voters could redesign their educational system to try out new cost and quality ideas? These could range from full parental choice to merit pay for teachers to community mentoring to virtual charter schools to expanded work-study opportunities.

Now is not the time to pass judgment on all these ideas, or others that will pop up once the creative process gets under way. It seems clear the traditional model of public education is not working to the satisfaction of an increasing number of citizens, and that its costs are becoming an increasingly painful burden on taxpayers.

Creative thinking served Vermont well when it came to precision machine tools, steamboats, microphotography, platform scales and even the first normal school for training teachers (at Concord Corner, 1823). It would be well if the current outcry against high education property taxes stimulates another round.

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Rebalancing education cost and value

By JOHN McCLAUGHRY

How can Vermonters get equal or better educational outcomes for their children, with fewer taxpayer dollars?

That intriguing question has rarely if ever been squarely posed. A State Board of Education's policy commission is laboring to produce "transformation" policies, with no attention to what those policies might cost taxpayers.

A legislatively-created committee (a majority of which are teacher union-dependent) is currently trying to find an affordable way to finance the current system of education. It's not unreasonable to suspect that it will recommend offloading current education expenses (notably health insurance) onto some other taxpayer account, plus creating a new mega-organization in the name of (supposed) "greater efficiencies in delivery."

A completely different approach is that of the Commission on Rebalancing Education Cost and Value. This private-sector commission, created by the Ethan Allen Institute, consists of 15 former superintendents, principals, school board and Senate education committee members, and PhDs. Its chair is Chris Robbins, who just completed a six-year term on the State Board of Education and is also the current chair of VSAC.

In his foreword to the report, Robbins says, "The fundamental premise of this report is that a policy of creating an ever-enlarging 'system,' directed from the top down, populated with thousands of teachers, administrators, and bureaucrats, controlling the annual expenditure of 1,450 million taxpayer dollars (\$1.45 billion), jealously protective of the benefits enjoyed by the people employed in the 'system,' and dismissive of the abilities and preferences of parents and children, is a policy headed off in a totally wrong direction."

"Such a policy will, ultimately, and despite the best intentions of many persons within that system, shortchange our students, defeat the preferences of many parents, and spend ever escalating amounts of taxpayer dollars for little or no added educational benefit."

"Instead of enlarging and fortifying the 'system,' we recommend deconstructing the current 'system' and rebuilding it based on the needs and desires of parents and students."

The new report, entitled *Better Value, Fewer Taxpayer Dollars*, includes a detailed economic analysis of today's public education system. That analysis concludes that "it is very clear that Vermonters — taxpayers and parents — are not getting their money's worth from our very high

per pupil education spending. It is also clear that this spending trend is unsustainable."

The Commission believes that "the great majority of parents and children have the capacity to identify the kind of education most suitable to their children's needs and preferences, and that public financial support for education should flow not through overgrown and nonproductive bureaucracies, but directly through the consumers to a wide array of educational providers, some public, some private, that attract revenues by offering a product that their customers want."

The Commission recommends giving tuition certificates to students instead of payments to schools, as is now done in 90 Vermont tuition towns. It advocates creation of charter schools, now in operation in forty other states, and more virtual schooling. It supports tax credits for Student Tuition Organizations (to fund scholarships to faith-based schools), and Education Freedom Districts (where voters could create their own education models).

The Commission also recommends that compliance with the Federal special education mandate be made a responsibility of the State Department of Education. It would contract with appropriate providers, including public schools, for free and appropriate services for eligible students, and defend against lawsuits.

A table in the report suggests that if parents chose to send only 20 percent of today's public school children to independent schools and other educational programs costing typically half the per pupil cost of comparable public schools, education spending would decrease by \$81 million a year.

A 2008 Friedman Foundation poll revealed that 89 percent of Vermont voters favored independent, charter, virtual, or home schooling over traditional public schools. If parents acted on those preferences, the savings to taxpayers could be as much as three times that amount.

Moving to a competition and choice model, the report says, "will stimulate a vibrant, dynamic educational marketplace that will help our children acquire the skills they need to flourish in the 21st Century, and put Vermont on the nation's map as a hotbed of imagination, innovation, and achievement."

Such a shift would, of course, force many of our near-monopoly public schools to reshape their policies and programs, to keep on attracting revenue-paying students. This will stimulate furious opposition from the least imaginative and most security-conscious public school officials, plus the Vermont-NEA teachers union.

That's understandable. But most parents and taxpayers probably believe that they — as well as our schoolchildren — will benefit more from dynamic 21st Century competition and choice in education, than paying ever more to keep the 20th Century monopoly system alive.

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SCHOOL DISTRICT CONSOLIDATION: THE SUPREME MANAGED BENEFIT STATE

The front page of the Rutland Herald of June 18, 1975 featured the headline "State Education Plans: Eight School Districts." The story and accompanying map described the plan discussed at the State Board of Education meeting the previous day.

The mega-district school consolidation plan actually dated to 1964, when Gov. Phil Hoff proposed consolidating to 24 school districts, a proposal that went nowhere in the Republican-controlled Legislature.

In 1987 a school governance commission, created by Gov. Madeleine Kunin and co-chaired by the same Phil Hoff, proposed 65 unified school districts. The proposal aroused such an outcry that Gov. Kunin was forced to disavow it a week before it was to be made public. The fact that the report was ridiculously titled "Strengthening Local Control" didn't improve its reception.

In 2009 the state Board of Education produced a 112-page "Transformation Policy" report that made another run at the consolidation objective. It recommended that "By July 2012, Vermont's PK-12 public educa-

tion system is constituted into 12 to 24 education districts. Each education district shall be governed by a single district board." Then-Commissioner (now Secretary) Armando Vilaseca was an

active cheerleader for the report's recommendations.

The 2010 Legislature wrangled at some length over consolidation



BY JOHN MCCLAUGHRY

House Education Committee a month ago (he is departing next month), Vilaseca said that pooling resources in newly merged districts (REDs) would give "the biggest bang for the buck"

in education spending: "We don't need 272 school districts. Do we need 63 superintendents in the state of Vermont? Can 24 be the

Freese of Vtdigger that "After seven or eight years, if the districts haven't joined together, then the state will come in."

From the context, and from his long support of forceful control from Montpelier, it's clear that when Vilaseca says "the state will come in," it does not mean that the state will hand out incentives and hope for the best. It means the Agency of Education will work its will; parents, students, teachers, and school board members will be told to sit down and shut up, and taxpayers will be told to pay.

In a political climate always favorable to more centralization, more (supposed) administrative efficiency, and far greater power for gubernatorial appointees, the Legislature is likely to face increasing pressure to comply.

In former days this would have been recognized as the Soviet command-and-control model, a model also currently favored by Gov. Shumlin for his single payer health care system. Such a model can, admittedly, construct the Pyramids, build an atomic bomb, and put a man on the moon. What

it can't do is acceptably direct students, parents, teachers, administrators, and school board members to carry out the Leader's orders, without crushing Vermont's tradition of local self-government.

There is an attractive alternative to "One Big School System." It's based on parental choice and provider competition, among locally-governed public schools, charter schools, independent

schools, and alternative educational programs.

Vermonters in 90 tuition towns have made that alternative work since 1869. There was never a better time to expand it to the others. If we don't, we'll get the Supreme Managed Benefit State where, to borrow from the Green Mountain Care law, the Ministry of Education will mandate for all children "the appropriate education at the appropriate time in the appropriate setting."

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In former days this would have been recognized as the Soviet command-and-control model...

proposals. Unwilling to supply the Commissioner with the hammer to force consolidation, it finally produced Act 153, providing modest incentives for "voluntary school district mergers." To date, only one "regional education district" has been formed - Mountain Towns RED (Londonderry, Peru, Landgrove, Weston, Flood Brook).

In a final appearance before the

number? Can 22 be the number? That's where I think we should start."

A committee member inquired whether Vilaseca thought regionalization ought to be legislatively mandated. Vilaseca replied that school board members and superintendents tell him "we'll never do this ourselves. There has to be some sort of hammer." After the session Vilaseca told Alicia



SCHOOL CONSOLIDATION, CHARTERS, AND CHOICE

Vermonters moan about their steadily rising education property taxes, especially as the number of students continually decreases. Rarely do citizens focus clearly on the causes of rising school taxes, and the possible solutions. That is, in part, because the "education stakeholders" are ever alert to control the agenda for "reform."

Their time-worn offering this year was "governance reform." That means grouping towns into large "Regional Education Districts," at first through incentives, then later by state mandate. This legislation collapsed in the final days of the 2014 session, in part because the House leadership realized that members who voted for it might not do so well with their voters this November.

But the Regional Educational Districts bill will certainly be back in 2015. Like regional waste management districts, REDs will be governed by... well, nobody really knows who governs such districts. It won't be town voters, because the RED won't belong to them. It will "belong" to the Agency of Education, their superintendents, and of course the Vermont-NEA, well organized across district lines. And, interestingly, even the backers of REDs shy away from promising that consolidation will reduce anybody's property tax burden.

The most obvious reason why education costs are rising faster

lar is that government monopolies, financed by taxpayers and facing little or no competitive pressure, bulk up with regulations and bureaucracy that keeps creating more things for itself to do, regardless of whether it improves the output of well-educated young people.

Vermonters should be asking "Can't we find a better model that gives children more value from a given amount of tax dollars?"

Consider the contrasting model of, of all places, the District of Columbia. DC has 113 public schools and 107 public charter schools. It also has an Opportunity Scholarship Program sending 1,556 low income students, almost entirely minorities, to 54 public and non-public (including faith-based) independent schools. The OSP program remains small because of the bitter opposition of the Obama administration and the teachers' union, because it gives low-income parents genuine choice.

Far more important are DC's public charter schools, which compete for publicly financed students. These range from the seven campuses of the academically-focused Knowledge is Power Program (KIPP) to African-American and Latino-themed schools to schools focusing on arts and music.



BY JOHN
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now 16, and his parents spent a day at a DC school fair where dozens of traditional and charter schools made their pitches to recruit eighth graders. They selected the School Without Walls charter school, which offers college classes

and an Associate degree from adjacent George Washington University, along with the charter school diploma.

In New York City, the AFT teachers union has thrown up every obstacle it can find to prevent charter school competition with traditional (unionized) public schools. But in DC, and in Houston and San Jose, creative partnerships are emerging.

The students at DC's home-grown Achievement Prep are outpacing its competitors in Ward 8 by as much as 40 points on the DC assessment exams. The charter school is negotiating to take over and operate a failing public school. When was the last time you heard of a Vermont public school being merged or going out of business for poor performance? Probably once (Winhall).

Vermont is one of only eight states that have never had charter school legislation. The Legislature created a charter school study committee in 2001. Gov. Howard

opponent of the charter school idea. He named enough Vermont-NEA representatives to the committee to cause it to reject charter schools on a 7-4 vote.

The teachers' union militantly opposes any option for a student to escape unionized public schools for non-union alternative schools of any kind. (Dean has more recently been quoted favorably on the subject, now that he doesn't need Vermont-NEA votes.)

Are charter schools practical in a rural state like Vermont, and would they reduce the school property tax burden? That would depend on the details, which vary dramatically among the charter states. It's likely that a well-designed charter law would at least flatten out the spending curve, which would be a welcome achievement. An even more welcome achievement would be universal parental choice, for which charter schools would likely increase political support.

Charter schools would be another step toward educational opportunity based not on government-run regional education monopolies, but on genuine parental choice among many varied public and independent providers. That is the way toward better educational value for fewer taxpayer dollars.

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FACING THE SCHOOL PROPERTY TAX MONSTER

Once again Vermonters are preparing to go to the polls, and there are plenty of issues on their plate. For the one third of voters who must pay the school homestead property tax, the Big Issue is likely to be "why am I staring at yet another, bigger school property tax bill? Where does this end?"

The Legislature and governor have increased the homestead school property tax rate in each of the past four years – and they are almost certainly going to do it again in 2015. The rate has climbed from 86 cents per \$100 Fair Market Value (in 2011) to 98 cents (in 2014) – even as the number of public school pupils has dropped by a thousand in each of those years.

The Democrats, who are proud of authoring Act 60 in 1997, are eager to finish tying the cost of education to the income tax. The Act 60 "income sensitivity" option allows homestead owners with incomes under \$90,000 to pay 1.8 percent of their income instead of the actual property tax. This feature costs the Education Fund \$158 million a year, which has to be made up with other revenues. The more than 60 percent of Vermont households who choose this option thus have no concern about the level of school spending.

Last May the Democrats declared that they intend to enact an education income tax by 2017. This "solution" alarms even Gov. Shumlin, who correctly understands that raising income tax rates to bring in another \$580 million a

year (to replace just the homestead school property tax) would be economically catastrophic.

The Republicans claim that the Democrats "have blocked every attempt by Republicans to reform our state's broken educational funding system."

By that the party chair apparently refers to the Republican proposal to enact a death sentence for Act 60, after which somebody will – hopefully – come up with a better idea. That "repeal and replace" bill does not deserve to be considered



BY JOHN MCCLAUGHRY

Politicians have historically shrunk from imposing such centralized control, but its day may be coming closer with a governor who can't allow the Education Fund to gobble up tax dollars that he will badly need to pay for Green Mountain Care.

Another model would be something akin to California's Proposition 13 of 1978. That measure limited property tax rates and allowed reassessment only when a home changed hands. Not surpris-

erstandable numbers like \$13,045 per pupil instead of \$17,875,000. The technique was unfamiliar, it was not clear that the plan would result in less spending, and the Legislature showed no interest.

Probably the best and potentially most popular "solution" – except among the Education Establishment – is trading in the increasingly ponderous and state-controlled monopoly school system for universal parental choice among a wide variety of education providers.

That proposal is based on the idea that the state should not stand in the way of parents who are eager to have their children attend a school that costs less than the local public school. Since many parents would choose schools costing less, total education spending would fall. However, it's not possible to predict by how much and when, or how the public schools would attempt to reform themselves to win back their lost pupils.

It's not realistic, any time soon, to wean public education from the Act 60 property taxes. But movement toward universal parental choice and broad provider competition would likely spur educational innovation, increase customer satisfaction, restrain property tax costs, and produce better results over time.

The hard part is turning that corner.

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The Legislature and governor have increased the homestead school property tax rate in each of the past four years...

any kind of a "solution."

There are several types of "real solutions" that might produce lower homestead property taxes.

One might be called the Soviet model. If the voters are voting too large school budgets, the Agency of Education could mandate a limit on increases. Or mandate a higher pupil to teacher ratio. Or use mandatory consolidation to allow regional education districts (REDs) to close small, expensive schools. Or put public schools on a "global budget," like the Shumlin proposal for single payer health care.

ingly, when local school districts couldn't keep raising property tax rates and assessments, they fled to the state capitol for money to cover their budgets. The state was obliged to comply, with restrictive conditions leading back toward the Soviet model.

Another proposal for making voters more sensitive to school budget explosions was the Scudero Plan (S.253 of 2008). This bill would have had the voters vote not on the dollar amount to be spent, but on the cost per pupil in their schools. It had the virtue of bringing school spending down to un-



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DUBIOUS REMEDIES FOR CONTAINING EDUCATION COSTS

Governor Shumlin and the legislative leadership have recently discovered that Vermonters are really, really unhappy about ever rising school property taxes. In a commentary published Dec. 3, the governor observed quite correctly "We all know that rising property taxes to fund education have put an unsustainable burden on Vermonters. Despite a steady decline in school enrollment over the last two decades, property tax payers have not seen a decline in their property taxes; they've seen the opposite."

He didn't think to mention that education property taxes do not just "rise," like cream to the top of a milk pail. Somebody has to "rise" them, and the signature on the bills that increased the homestead property tax rate from \$.89 to \$.98 per \$100 of fair market value – and will soon increase it to \$1.00 – is and will be Peter Shumlin's.

Recall, it was Sen. Peter Shumlin who in 1997 steered Act 60, the education finance "reform" law, to enactment. At the time, critics argued that the funding mechanism for that court-driven state takeover of public education would break the essential restraining link between voters and spending. Some of the supporters scoffed at that possibility; others welcomed the state takeover.

Eighteen years later we have come to a situation where not increasing the homestead school

property tax rate would be more painful than increasing it another two cents. Not raising the rate, by itself, would cause a \$42 million shortfall at a time when the General Fund is facing a deficit of \$100+ million. Either that shortfall has to be made up by other taxes – very painful – or the Agency of Education must be given the power to force school districts to reduce their voter-approved budgets. That "solution" has never been attempted in the past 227 years.

House Speaker Shap Smith created a working group to find an exit ramp from this politically dangerous highway. The 10-member bipartisan group has produced three exit ramps.

The first is the "renovation plan." The core of that plan is state mandates to increase local pupil-teacher and pupil-staff ratios, both of which are the lowest in the nation.

Or, alternatively, make local taxpayers financially liable for the high costs of a low pupil-staff ratio. That would violate the redistributive principle of the Brigham decision underlying Act 60.

The second model is a "variable income tax." This alternative features uniform state-set property tax rates. District voters who wanted to spend more than the state-provided amount would



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have to raise the funds through a local income tax surcharge. This also flies in the face of Brigham and Act 60.

Then there's the "regional block grant" model advocated by Rep. Oliver Olsen. This is based on complete state responsibility for education spending.

The state would distribute the tax dollars it raises to "regional entities" (no further information available), through which it would flow to local school districts.

Doubtless unbeknownst to Olsen, in 1967 New Brunswick had a public school system almost identical to Vermont's in 1996. Then it started down Olsen's Highway by enacting its "Equal Opportunity Program."

The result (from my commentary of July 1998): "A province-wide education property tax... The installation of local 'Directors of Education' accountable to and removable by the Ministry. The statewide teachers' contract. The conversion of superintendents to state employees. Abolition of local school boards as wasteful overlapping bureaucracies. Reduction of "local control" to input sent to the Ministry from PTA meetings."

"The only curious part of this story is that it took New Brunswick 30 years to achieve the centralized, unitary school system

that is the inevitable result of full state funding of local schools. Barring a political revolution, the same results should be attained much more quickly in Vermont." We are now 18 years into Act 60, and – if Olsen is successful – it looks like we will reach New Brunswick's condition sooner than they did.

Fortunately, there is an alternative path for Vermont (from 2006): "Give up the bureaucratic, centrally controlled public school monopoly system, which guarantees steadily rising taxpayer costs regardless of the number of pupils, and regardless of their mediocre achievements."

"In its place, empower all parents with scholarship money to pay for their children's education at any of a wide range of competing programs: public schools, independent schools, faith-based schools, charter schools, Internet-based virtual schools, employer- and union-run schools, mentoring programs, career-study programs, whatever arises to meet the demand in the marketplace, many of them at lower cost than the public school system."

The "parental choice and provider competition" model is gradually becoming the future of 21st Century American education. Why not here?

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Education Finance Reform Ideas for Consideration

Submitted to Rep. Shap Smith, Speaker of the Vermont House of Representatives

Prepared by Oliver Olsen

January 1, 2015

Introduction & Overview

This document summarizes a few additional ideas that the House Education Committee may want to consider as it begins to look at options for reforming Vermont's education finance system in 2015.

- Voter participation thresholds to consider spending increases above growth targets;
- Retain small schools grant program, but institute a competitive application process;
- Set a cap on the growth of statewide education spending, with limited funding available to support extraordinary excess spending needs;
- Use local voting process to set local education tax rates instead of education spending; and
- Financial incentives for school districts and union employees who adopt contracts that contain model reduction in force (RIF) policies that do not exclusively consider tenure as a factor in RIF decisions.

Some of these ideas have been brought up in the past, while some are new or are refinements of other ideas that have been proposed before. Some may have promise, some may not; all require further analysis and vetting.

Establish Voter Participation Thresholds for Large Budget Increases

Under this proposal, a school district budget could be approved with a simple majority vote, regardless of the level of voter participation, as long as the percentage increase in per pupil spending was below a specific target established by the state.

However, if a proposed school budget would increase per pupil spending by a percentage in excess of the state target, the amount of the budget in excess of the target would only be approved with a majority vote of a minimum percentage of registered voters within the district.

The following example (albeit oversimplified) illustrates how this could work:

School district proposes a budget of \$10,000,000, which represents a per pupil increase of 5%, vs. a state target of 3% (example only). A budget of \$9,500,000 would represent a 3% per pupil increase. If the state required 20% (example only) of registered voters to participate in a vote to approve a budget with excess spending, but only 15% of registered voters voted on the budget (even if 100% of those voting voted in the affirmative), only the first \$9,500,000 of budget would be approved - not

the \$500,000 excess. However, if 21% of the electorate voted on the budget, the full \$10,000,000 would be approved if the majority of those voting supported it, even if the vote was in the affirmative by the slimmest of margins.

A variation of this concept could require even higher voter participation, proportional to the size of the proposed spending increase.

Collectively, Vermont voters are entrusted with the power of deciding how Vermont spends more than \$1B on K-12 education. Unfortunately, very few Vermonters actually participate in this process, even though it directly impacts our growing property tax burden. While Vermont does not formally track voter participation on school budget decisions across the state, the Secretary of State's office does have some informal data that tracks voter participation on Town Meeting Day, which is a reasonably good indicator of the level of participation on school budget votes. This data shows that we have about 13% of registered voters participating on Town Meeting Day¹.

Requiring a greater level of voter participation to consider higher levels of spending would provide an effective cost control mechanism, while providing more local accountability over the most direct lever we have to manage property tax growth. This is not an alien concept; under Vermont's constitution, a quorum of $\frac{3}{4}$ of the members of the Vermont House of Representatives is required before consideration can be given to raising a state tax.

Award Small Schools Grant on a Competitive Basis

With this proposal, the state would establish a fixed budget for the small school grant program, and gradually ratchet the funding for this grant down year over year. This would no longer be a categorical grant, but would require a competitive application process through the Agency of Education, State Board of Education, or some other central authority. Considerations such as staff to student ratios, excess capacity in neighboring school districts, geographic proximity to districts with excess capacity, and any in-progress consolidation plans would be evaluated as part of the decision-making process.

This approach would make more efficient use of state resources by addressing conflicting financial incentives (consolidation vs. retaining small schools) on a case by case basis, while ensuring that small schools that are not well-suited for consolidation and those that are in transition are held harmless.

Cap on Statewide Education Spending Growth

This proposal would cap the growth of statewide education at some nominal figure indexed to CPI. School districts would be able to vote for increases to their per pupil spending without state intervention, so long as they stayed within set parameters. Parameters could be

¹ 2014 Town Meeting Turnout Statistics, Vermont Secretary of State Website:
<https://www.sec.state.vt.us/elections/town-meeting-local-elections.aspx>

designed on a sliding scale, allowing different percentage increases based on current per pupil spending levels vs. state averages. For example, a school district with a relatively high per pupil spending amount would have less headroom to increase their per pupil spending in percentage terms than a district with lower spending.

A small portion of the education fund would be set aside and available for the State Board of Education (or other appropriate entity) to award funding on a competitive basis to school districts requesting higher levels of spending (outside the applicable thresholds). Any funding allocated to districts would be counted towards the overall per pupil spending within that district - increasing the tax rates, just as if the budget had been increased without state intervention. The intent of this funding allocation would be to address inequities and anomalies that “fall through the cracks” of the funding formula. When awarding these “excess spending grants”, the State Board of Education would consider a variety of factors to prioritize funding allocations, including available opportunities for cost reduction through consolidation, sudden and unpredictable fluctuations in student needs, student to staff ratios, etc.

The net result would be a cap on the aggregate growth rate of education spending across the state. Many school districts would experience no change to current practice, there would still be variability in education tax rates based on local decisions, but some districts would need to justify extraordinary increases in per pupil spending.

Use Local Voting to Set Education Tax Rates Rather than Budgets

Under the current system, local communities vote on school budgets, which ultimately dictate the tax rates (both property tax rates and percentages used to calculate income sensitivity adjustments) required to support the budgeted per pupil spending. If we flipped this around, so that voters could decide the tax rates they were willing to support, there would be greater accountability and a much more direct connection between voting and tax rates. This approach would likely require the statewide base rates to be fixed ahead of any local voting, would likely require a larger stabilization reserve to keep the state Education Fund in balance.

Incentives to Move Away from Tenure-Based RIF Policies

As the decline in student enrollment continues to decline, reductions in staff levels are inevitable. Many reductions will be possible through natural attrition, including retirements. However, where more difficult decisions come into play, we should look for ways to retain our best educators. Staff contracts that mandate reduction in force (RIF) policies based exclusively on seniority are an impediment to right-sizing an organization, as they can lead to unintended consequences - namely the loss of high performing, high-potential staff.

Under this proposal, the state would implement a system of incentives to encourage school districts and staff to adopt RIF policies that look at multiple factors, particularly staff performance and subject matter expertise, when implementing a RIF.

Accountable Education Funding Proposal

Introduction

The Accountable Education Funding (AEF) Working Group is a citizen led group that was formed to tackle Vermont's interrelated challenges of rising PK-12 education spending and exceptionally high property taxes. With clear intention to meet the state's obligations as expressed in the Vermont Constitution and in Statute, members of the AEF Working Group submit this AEF Proposal for consideration by our legislative representatives and other concerned stakeholders.

This proposal has been created to address the below interrelated challenges associated with our current education funding system. We conclude that these challenges require reforms that address the underlying structural and systemic issues that drive them all.

1. The statewide population of PK-12 students has declined by 20% over the past 15 years, and in some regions far more than that. Despite this population decline, statewide spending has continued to rise across all size schools and districts.
2. Many residential property owners and all commercial property owners face uncommonly high property tax burdens in Vermont. All property tax payers face increasing tax burdens, while median income is flat to declining. Such burdens effectively undermine affordability and economic growth.
3. Despite efforts to equalize education spending through redistributive mechanisms embodied in Acts 60/68, there continues to be significant inequities in access to educational resources and opportunities among Vermont schools.
4. High PK-12 spending undermines funding availability for high ROI early interventions that would reduce costs of education delivery as well as funding for expanding access to higher education vital to broadening economic prosperity.

The AEF Working Group identified principles to guide our consideration of reform options, as many of us came from different backgrounds with different priorities regarding the aforementioned challenges. We maintain that any constructive education funding reform proposal must serve all these principles: simplicity, transparency, equity, value, standards and community.

With these principles in mind, the AEF Working Group defined the following comprehensive list of reform objectives:

1. Provide statewide funding for substantially equal access to excellent education opportunities regardless of where a student resides

2. Establish thresholds for minimum education opportunity and cost effectiveness
3. Cultivate sufficient simplicity and transparency to support effective governance and increase accountability
4. Broaden accountability for expenditure decisions to restore restraint
5. Leverage and promote community engagement in the success of our schools

Based upon a review of effective funding systems in other states and current education finance literature, we conclude that to meet the above objectives our legislature must substantially alter our funding system- both in terms of what the state pays for and how it raises funds to pay for these costs. We conclude that our current system, which requires funds be raised statewide to fund all school budgets approved by local voters no matter how high the spending or the range of opportunity afforded, is unsustainable and, arguably, not meeting the Brigham mandate or provisions of Article 9 of the Vermont Constitution. In its stead, we offer the following proposal.

AEF Proposal Framework

The AEF Proposal provides a three-part framework for school funding reform in Vermont:

1. Establish a data-driven, reasonable cost standard for Vermont public education to target resources and inform voters
2. Increase predictability and expenditure controls with an equitable and sustainable approach to raising and distributing statewide revenue to school districts
3. Establish accountability mechanisms that incent local school districts to provide high quality educational opportunities at a reasonable cost, establish a floor on education opportunity and eliminate unfunded mandates.

We propose that the three core elements of this proposal be implemented in the following manner:

1. Establish a reasonable cost standard for Vermont public education
 - a. Statewide education funding is limited based upon a determination of a reasonable cost to meet the state's commitment to provide an excellent, substantially equal educational opportunity to all students
 - b. The state's education commitment to all Vermont students is no longer vague but expressly defined in phase one of AEF implementation
 - c. Sufficient equity of opportunity and reasonable costs are derived through:
 - i. A transparent and data-driven process that includes all stakeholders, including urban and rural students
 - ii. Project leadership by experts with extensive experience crafting state education finance systems in sustainable operation today
 - iii. Specification of Vermont's baseline education costs and cost adjustments for reasonable, sustainable responses to need-specific, urban and rural education delivery challenges

- d. Annual statewide funding is tied to populations and rates of inflation and not subject to political influence or budget dynamics
 - e. Statewide funding levels are periodically reviewed based upon current Vermont and regional cost data and opportunity reports rather than legislative politics and annual budget pressures
2. Implement an equitable and sustainable approach to raising and distributing statewide revenue to local school districts
 - a. A single statewide property tax rate is set to raise a fixed percent of statewide education funding, while the balance is provided through the General Fund and other dedicated sources
 - b. Income sensitivity protection for residential homesteads is maintained for raising funds up to statewide education funding levels
 - c. Statewide education funds are dedicated exclusively to support PK-12 public education
 - d. Total district education expenditures are still determined by voters, but spending above the reasonable cost standard funded statewide are supported through local taxes with no extension of income sensitivity
 3. Establish accountability mechanisms
 - a. Incentives to target investments, operate cost-effective schools and consolidate where appropriate are established as full responsibility falls to local voters for funding expenditures above the reasonable cost standard
 - b. Where sufficient opportunity is in question, Education Commitment Certification by the AOE or a contracted certification agent (as is currently used to certify independent schools) is required to maintain statewide funding eligibility
 - c. To prevent excessive spending disparities, a tiered luxury tax is applied to local education spending at defined percentages above the reasonable cost standard
 - d. Any legislation that expands the work of schools must include cost analysis and define funding sources

Targeting Defined Challenges

As noted above, we assert that many of the challenges we face, lingering or newly arisen, are associated with our current education funding system. To ensure that we are offering a constructive alternative to our current system, the following table ties specific AEF parameters to each of our core issues.

Challenge	Solution
Ever higher demand for more education funding despite declining student population and a faltering economic base, undermining our capacity to fund higher ROI supports for students and families	<ul style="list-style-type: none"> • Define an opportunity commitment and reasonable cost and provide statewide funding only to that level

<p>Excessively high expenditures in districts of all sizes are driving up property taxes</p>	<ul style="list-style-type: none"> • Define an opportunity commitment and reasonable cost and provide statewide funding only to that level • Fund based upon reasonable staffing assumptions and data-driven cost variables, not current staffing levels and cost assumptions • Fix percentage of statewide funding raised through property taxes • Accountability for excessive spending clear as funding for higher spending levels falls to the community that approves it
<p>Inequity of opportunity and relative tax rates persist across Vermont</p>	<ul style="list-style-type: none"> • Statewide funding tied to educational commitments, not local votes, to ensure support for sufficiently equal opportunities • Disparities in education opportunity discouraged through targeted, adequate statewide funding and a luxury tax mechanism • Economies of scale not ignored by funding formula, equalizing tax burden relative to opportunities provided • Where sufficient opportunity is in question, Education Commitment Certification by AOE or contracted certification agent is required for continued statewide funding eligibility

Comparative Analysis

We note that until such time as Vermont’s education commitment is defined and reasonable costs are determined there is plenty of room for skepticism that funding adequate to deliver the opportunities we want for all our students would contain spending more effectively than today’s system. Likely, there will also be concern regarding the viability of limiting statewide funding and allowing local spending decisions, while supporting the Brigham ruling. There is no substitute for moving forward to complete the study to define our commitments and reasonable costs, but we can certainly address these concerns with some simple logic at this time.

With regard to curtailing spending, we should look to the track record of funding systems similar to the AEF proposal in use in other states and the outcomes associated with those systems. Eight of the top ten performing states budget education spending in such a

manner and all spend significantly less than Vermont does.¹ Further, we note that the analysis that will determine a reasonable cost would not presume the statewide staff to student ratios of 1 to 4.67 in existence in Vermont today. Our staffing levels, in districts large as well as small, are well outside regional and national norms and are the principal reason for our higher costs per student. While funding levels would be varied based upon factors that impact a reasonable cost, they would not be sufficient to perpetuate very inefficient education delivery. Lastly, commitments and reasonable costs would not be determined by politicians but through a structured methodology led by experts in designing sustainable education finance systems.

Regarding Brigham compliance, we acknowledge that many states using similar adequacy funding systems have constitutions that require adequate education funding but not equity to the same degree that the Brigham ruling indicates that the Vermont Constitution requires. Due to this fact, this proposal differs slightly from their funding systems. The AEF proposal requires that we define the range of student opportunities we commit to delivering statewide and provide statewide funding to that level, instead of reverting to a combination of local taxes coupled with annual state aid contributions. It also adds a tiered luxury tax that establishes downward pressure on higher spending in wealthier communities and raises additional funds for expanding opportunities statewide. Further, as beliefs to the contrary are widely held, it must be noted that equal opportunity does not, according to the Brigham ruling, “necessarily prohibit cities and towns from spending more on education if they so choose.” We presume our justices included this phrase for a reason.

For accurate context on the status quo, we are currently using statewide education funds to support large and excessive disparities in student opportunities. As equalized pupil counts in our funding formula presume no economies of scale, larger districts’ higher expenditures are effectively discounted. Despite available economies, they frequently spend no less and in some cases much more than smaller districts, funding a much greater range of opportunities at an equal or lower tax rate. These inequities will continue to be perpetuated until we discontinue use of the unaudited equalized pupil mechanism to differentiate access to resources. If Act 60/68 is not significantly overhauled in the current legislative session, given what we know of its impact at this stage, it should face a constitutional challenge.

This AEF Proposal offers the following key benefits:

- Leverages education finance best practices in successful use in top performing states
- Budgets statewide education funding for greater predictability and balanced investments
- Targets statewide education investments
- Promotes informed decision-making rather than elimination of local representation

¹ [“These Are The States With The Best And Worst School Systems, According To New Rankings”](#), [Huffington Post](#), Rebecca Klein, August 4th 2014.

- Increases equity of opportunity
- Contains externally driven property tax increases
- Establishes voter accountability for approving unreasonably high spending levels
- Aligns incentives for cost effective education delivery: right-sizing staffing and consolidating classrooms, schools and supervisory unions where appropriate

The AEF Proposal proposes a complete overhaul of our education funding system, but one that would ensure sufficient equity of education opportunity funded statewide, more equitable distribution of statewide resources and tax burden, and restoration of a direct relationship between spending decisions that exceed reasonable and sustainable levels and funding accountability. Restoring incentives, rather than issuing prescriptive mandates, facilitates spending restraint and much more effective use of statewide education resources without undermining local voice and community support for our schools. Given its advantages, we hope the legislature will give it due consideration in bill form during the coming legislative session.

Questions on this proposal can be directed to Heidi Spear, the founder and coordinator of the AEF Working group: heidimspear@gmail.com

Lincoln White
49 Shetland Lane
Colchester, VT 05446
802-735-8165
jlw@seventhgeneration.com

12/30/14

Dear Speaker Smith,

Thank you for the invitation to propose improvements in education funding. My proposals focus on the need to *simplify and localize* key variables - funding, spending, staffing and innovation. This approach will increase accountability, control spending and provide better opportunities for students.

My perspective is based on my experience. I'm clerk of the Colchester School Board and an adjunct professor at Champlain College. I'm Director of Information Technology at Seventh Generation in Burlington. I have an MBA from UVM and a Bachelor's degree in Electrical Engineering. I've spent my twenty year career leading teams – first as a Captain in the US Army and now in business. I have three children and my wife Jocelyn and I have always been very invested in the quality of their education.

Simplify and Localize Funding and Spending

Simplifying the funding calculation is critical to controlling spending. After over two years on the schoolboard I still can't easily understand or explain the funding equation. I had an easier time learning advanced calculus. If there is a \$100 budget increase who pays for it? If there is a \$100 budget decrease who benefits? *It's impossible to manage what you can't understand or control.*

Cost control requires accountability. We don't have accountability because of funding complexity. Who is to blame for rising costs when no one is held accountable? The current funding scheme lets us blame everyone - boards, teachers, unions, administrators, the governor, the legislature, and the Feds. All of us can point fingers and escape blame because the funding stream is so complex.

We need local control of funding and spending. We need to simplify and localize the funding formula - even if that requires the tough work to amend the Vermont Constitution to override the Supreme Court's Brigham decision. Education funding before Act 60/68 was simpler, more efficient and delivered high quality, affordable educational opportunities throughout the state. Communities were accountable for funding and spending, and this incentivized efficiency, innovation and responsible investments. Today, small and inefficient districts are highly incentivized through Act 60/68 wealth re-distribution and property tax income sensitivity. We must get rid of income sensitivity and low income subsidies.

Absurdly, some districts are penalized for investing "too much" in their own kids. We should not penalize communities that want to pay more for education. A penalty for investing in education is immoral. But communities must pay the full cost of their choices. Districts can consolidate, or they can stay small and pay for this. Small and inefficient districts must pay the cost of being small and inefficient. Local communities should be free to pay high teacher salaries and offer small class sizes – but pay the full cost of these decisions. This increased accountability will prompt innovation and consolidation.

We do not need more funding sources such as an income tax. Funding complexity is the problem and adding more funding sources will make a too-complex funding mechanism even more complex. We should not consider income or other tax streams. The problem is not revenue.

Local Staffing Control

We need local staffing control. True cost control won't happen without this change. Seventy percent or more of education spending is for salaries and benefits - yet local communities are handicapped by Vermont Labor statutes that force districts to keep the union structure. Union compensation increases are consistently higher than inflation and the private sector.

Make Vermont a 'Right to Work' state so communities can have negotiating leverage and the freedom to experiment with other staffing models. There should not be a state-wide teachers contract. A statewide teachers contract will further perpetuate a union staffing model that is already too expensive and must eventually change if we are going to control costs.

Local Innovation

We need local control of education innovation. Every district should have the freedom to experiment with new programs and investments. State mandates stifle local innovation. Education theory and practice is constantly evolving and communities need the freedom to try new things - not constantly mold to a 'one size fits all' approach created by state mandates.

There should be a moratorium on state educational mandates for 5 years - 'funded' or not. All State mandates cost local taxpayers - even when we fib saying the money is coming from Montpelier.

Universal Pre-Kindergarten (Pre-k) and Personalized Learning Plans are examples of 2014 Vermont state mandates that will increase taxes. With Pre-k, property taxes are now paying for pre-school that parents and charities previously paid for. The Pre-k subsidy is also arguably unfair to families that sacrifice for a parent to be at home with their children. The Personalized Learning Plan Mandate will increase spending due to additional staff, training, technology, and facilities. Local communities should have the freedom to implement their own initiatives and the responsibility to pay for them.

Communities should have the freedom to experiment with other educational initiatives including vouchers, charter schools, home schooling initiatives, distance learning, school choice and tuition plans that incentivize efficiency and performance.

Closing

There are so many challenges for education. The same technology that makes our lives easier is constantly raising the bar on our students. Vermont students need an incredible mix of creativity, critical thought, teamwork, integrity, problem solving skills and leadership to be successful.

I believe that my proposals are the best way to balance providing increasing opportunities for students with affordability for our taxpayers. Thank you for the opportunity to share my proposals. Please contact me with any questions. I appreciate your consideration.

Sincerely,

Lincoln White
jlw@seventhgeneration.com



Colchester School District
Colchester, Vermont

TOWN OF COLCHESTER
JOINT RESOLUTION FOR SUSTAINABLE
EDUCATION FUNDING REFORM IN VERMONT

WHEREAS,

- Education Funding is a statewide priority and needs to be addressed at the State level
- In the past 10 years, the Vermont student population has declined by 10,618 (or 10%)
- In the past 10 years, Vermont education spending has increased by \$300 million (or 33%)
- In the past 10 years, Vermont per student spending has increased by \$6,537 (or 60%)
- In the past 10 years, reliance on education property taxes has increased by 11%
- In the past 10 years, reliance on state share of education funding has decreased by 18%
- Nearly 70% of Education spending is funded by property taxes; and,

WHEREAS, Vermont has reached its maximum capacity to support education funding through the Statewide Education property tax; and


Whereas, Vermont cannot ignore the current trends and the limitations of our property tax base. Without responsible funding system reforms, Vermont schools will be forced to undergo arbitrary and detrimental budget cuts that will affect the quality of education in Vermont. Continued reliance on the education property tax also has a material impact on local government's ability to provide vital services (police, fire, roads etc.) to residents; and

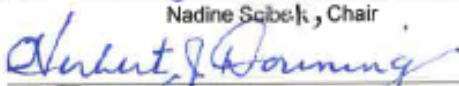
WHEREAS, Vermont may be able to achieve a sustainable Education future by:

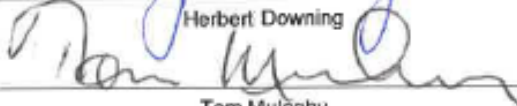
- Re-examining how education is paid for/funded in Vermont
- Creating a more diverse education funding system, sharing the costs between all our tax resources
- Reducing the costs associated with providing education without damaging the education system to reduce the burden on taxpayers
- Simplifying the education funding system so it can be understood by the average taxpayer
- Examining more efficient governance and service delivery
- Examining the impact of unfunded state mandates
- Evaluating the cost shift in social service delivery to the education fund
- Considering changes to the income sensitivity formula to encourage more stakeholder participation / contribution and more sustainable funding levels.


NOW THEREFORE BE IT RESOLVED on this 9th day of December 2014 that the Selectboard of Colchester, Vermont and School Board of Colchester, Vermont request the Vermont Legislature to take action to seek out the necessary reforms to the education funding system.

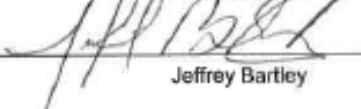
COLCHESTER SELECTBOARD


Nadine Seibert, Chair


Herbert Downing


Tom Mulcahy

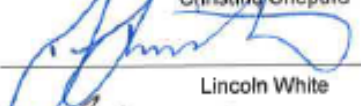

Marc Landry


Jeffrey Bartley


COLCHESTER SCHOOL BOARD


Mike Rogers, Chair


Christine Shepard


Lincoln White


Lindsey Cox


Craig Kieny



TOWN OF COLCHESTER
SELECTBOARD
781 BLAKELY RD.
COLCHESTER, VT

RESOLUTION FOR WATERSHED PROTECTION

WHEREAS, as recently as last week there were dairy cattle, a known source of nutrient pollution, in the Lamoille River in the Town of Milton upstream of the receiving waters known as Malletts Bay in Colchester; and

WHEREAS, the nutrient loading trending for Malletts Bay is increasing and phosphorous needs to be reduced by 26 percent or nearly 12 metric tons per year, according to Vermont DEC; and

WHEREAS, the Secretary of the Agency of Agriculture retains the authority for ensuring farm compliance with water quality standards; and

WHEREAS, Malletts Bay is a crucial component to the economic health and personal well-being of our residents and visitors; and

WHEREAS, it has been demonstrated that stream bank fencing reduces the amount of nutrients, sediments, farm chemicals and bacteria entering streams, protecting water uses of numerous types, from fisheries to contact recreation like swimming to public water supplies; and

WHEREAS, flood frequency and severity decrease, as does associated damage to life, property, and infrastructure with stream bank fencing and buffers; and

WHEREAS, bank erosion and corresponding sedimentation is reduced, protecting property and reducing maintenance issues helping Colchester taxpayers avoid associated costs with such; and

WHEREAS, an Iowa State University study showed 90% nutrient removal and 80% sediment removal for buffers as narrow as 20'; now therefore

BE IT FURTHER RESOLVED, the Selectboard of Colchester and its Town Management, on behalf of its residents, call on the Vermont Agency of Agriculture Secretary to require agricultural operations of all types, including equine operations, in the Lamoille River and Winooski River watersheds to fence all livestock out of waterways and to require they comply with a minimum 20-foot buffer along all perennial waterways beginning May 1, 2015.

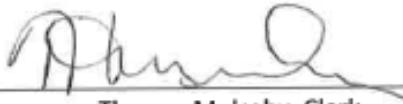
**ADOPTED THIS 9th DAY OF DECEMBER, 2014
BY THE COLCHESTER SELECTBOARD.**



Nadine Scibek, Chair



Herbert Downing, Vice Chair



Thomas Mulcahy, Clerk



Marc Landry



Jeffrey D. Bartley



Dawn H. Francis, Town Manager

Sean-Marie N Oller
 70 Whipstock Rd
 Bennington, VT 05201
 802 233-0381 ollersvt@comcast.net

House Speaker Shap Smith
 Speaker's Office, 115 State Street
 Montpelier, VT 05633
Speaker@leg.state.vt.us SSmith@leg.state.vt.us

Sent via email

January 4th, 2015

Dear House Speaker Smith ,

My name is Sean-Marie Oller. I am writing in response to your request for feedback regarding soliciting education finance reform proposals from the public. I live in Bennington and have a twenty year tenure as a school board member on both the Mount Anthony Union School Board as well as the Supervisory Union Board. I was chair for many years of the MAU Board. (I chose not to run last March). I currently work at a parent /child center as a case manager for Reach-Up as well as an outreach and home visitor with pregnant and parenting teens. My earlier work involves mentoring and coordinating mentoring projects through Quantum Leap. Prior to moving to Vermont, 25 years ago, I was a pre-school educator and administrative director for a large (by NYC standards) Montessori pre-school. I went to college in VT and my early career post college was in the arts and design on the management end. I am also mid-way through a six-year term on the VT State Board of Education. (I write this as a citizen of Vermont not as a State Board member) . I have two grown children who went through VT's public school system as well as attending both Champlain College and VT Tech.

I write not to give you a specific proposal per se as you requested in the VT Digger article but to share with you some of my thoughts and ideas. There are a couple areas I will touch on.

A few years back I suggested to a few House Education committee members (and really to anyone who would listen) that perhaps legislation could be written to turn the existing Supervisory unions into Supervisory Districts as a way to start a shift to a slightly different more efficient governance model. Of course there are supervisory unions with less than 300 students (Battenkill) and supervisory unions with over 3,000 students, but it would be a start. I going to assume you know the difference between a supervisory unions and a supervisory districts.(if this were to happen there would be sixty or so School districts instead of almost 300 school districts The idea behind turning SU's into SD's is that folks in the supervisory unions (board members, citizens, teachers district personnel...) are familiar with one another and they have the same superintendent. (of course this idea does not eliminate the need for 60 qualified superintendents but it is a start to having the Superintendent answering to one board and more importantly focusing his or her attention on the education of students and not the endless preparation for meetings generated by multiple boards. As a MAU member I never thought to ask what town a student was from but instead how students would benefit from a program proposed. There are some inherent problems with this model specifically for small towns as they often feel the bigger town will rule . My view is that they are all our students no matter what town in a supervisory union the student resides. Bylaws can be written to alleviate some fear with super majority voting methods or similar

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rules around how things will be governed . This kind of approach would allow those in supervisory Districts/ Unions to work out how they want to organize within the structure instead of being told by law. I suggest with this approach a date certain be picked, perhaps by 2020. In addition, AHS delivers services county wide and many school districts cross into multiple Counties.

Another issue for me is the small school's grant allocation. In one breath the state is saying: think about sharing services, think about if your school is too small and in the next breath the state is giving out 7.5 million dollars to sustain small schools. I believe this is a mixed message. In 2009 a report was commissioned and I have attached it along with current FY'15 numbers. Of course each time this comes up the constituents in the districts that receive grants pressure their legislators to keep the funding in place. Seven million dollars could go a long way if redirected .

In a similar vein some districts get federal land/ forest money. There was talk a number of years ago about this money going to the education fund directly, again this idea of centralizing the money is not popular in the districts who currently receive money. Which leads me to the issue of the language that is used in the ed funding world. The dollars per pupil are reported on a net number, not a gross dollar number . So take a small school district like Woodford, it receives both federal money for forest land and a small school grant. The school has 18 students K-6 and with a tax rate below a dollar; who could argue with the cost to educate those students? But what if we compared gross costs per student, perhaps citizens may think they would want more for the money spent.

I believe act 60 & 68 are working as reported in numerous reports. However, for the amount of money the state spends per student we should be doing better. In the current system there is little time for the Superintendents to evaluate staff and oversee education.

Please take advantage of Secretary Holcome's expertise, she is very smart and has the education of all of Vermont's students in her sights not just some of our students.

Just a quick word on the income sensitivity pre-bate. If it went back to the old system of getting a rebate folks may see it more as help with their taxes, I believe in the current system, it is not thought of as helping with their taxes.

I am happy to elaborate on what I have written should you wish to hear more. Thank you requesting input from citizens.

Best of luck in the coming session.

Sincerely,

Sean-Marie Oller

**Section 21 of Act 153 of the 2009 Session
Study on Small School Grant Eligibility Due to
Geographic Necessity**

An Act Relating to Voluntary School District Merger, Virtual
Merger, Supervisory Union Duties, and Including Secondary
Students with Disabilities in Senior Year Activities and
Ceremonies

Submitted by:



**Commissioner Armando Vilaseca
(802) 828-3135**

Executive Summary

Section 21 of Act 153 (2009, No. 153 (Adj. Sess.)) directed the commissioner of education to identify school districts with small schools that should be deemed eligible due to geographic necessity, and to recommend a method to gradually withdraw state aid for those schools that were small but not eligible due to geographic necessity. The language was not intended to recommend the closing nor the merging of non-identified schools.

With the passage of Act 60 in 1997, the funding of schools was no longer a local responsibility, but instead became a state responsibility. Thus, all taxpayers in the state are affected by spending decisions made at the local level.

Act 60 of 1997 created small schools grants for general support and financial stability. In FY1999, the first year of implementation, 46 districts were eligible for \$921,000 in small schools grants. A second support grant calculation was implemented in FY2000 which expanded the eligible districts to 87 at a cost of \$4,100,000. In FY2011, 104 districts received \$7,100,000 in small schools grants.

Identifying districts with schools small due to geographic necessity was based on visual inspection of a topographic map plotting school location and determination of travel distances and times to the next closest school. Capacity was not used as a criterion as those data are not readily available nor easily obtained. The nature of adjacent roads was also considered as a factor as some roads are more easily traveled than others.

Of the 104 districts with schools eligible under current language, 23 were considered to be eligible due to geographic necessity. Those 23 districts were eligible for \$1,690,000 in support grants in FY2011. Maintaining that level of support for those districts but removing it for the other 81 districts will reduce payments from the Education Fund by \$5,300,000.

If the Legislature so chooses, it is recommended to remove support for the 81 districts over a period of two years, based on the support level received for the FY2012 small schools support grant. It is recommended to fund those schools at 2/3 of the FY2012 level in FY2013 and 1/3 of the level in FY2014. Those 81 districts will not receive support for small schools in FY2015.

It is suggested that the Legislature consider rescinding the small schools financial stability grant, effective for FY2013. The structure for the support grant calculation provides additional resources for schools with declining enrollments. Additionally, large declines in students are further protected by the annual maximum allowable loss of 3.5% in the equalized pupil calculation.

I. Introduction

Due both to Vermont's small population and geographic features, many schools in the state have historically been small. While a straight line may show towns – and therefore, schools – to be close together, due to the hills and valleys of Vermont, the roads are often long and winding. As roads and transportation have improved, travel times have decreased, school mergers have occurred, but many small schools still remain.

People in towns with small schools tend to be both proud and protective of their schools. The schools not only educate the local children, but they often are used as focal points for community gatherings. Historically, it was the local community that supported the school. With the passage of Act 60 in 1997, the funding of education became a state responsibility. Thus, it was no longer just the local community supporting the local small school, but rather the entire state supporting the school, although the education tax rate of the local school district reflected the cost.

The Legislature created small school grants to assist local communities in funding their small schools. Economic times have changed significantly and the viability of that state support is in question. Under the current statutory language, many small schools as currently defined have received assistance, although they may be in close proximity to another school with a similar grade configuration. In such cases, it is highly likely significant financial savings could be realized if the schools were to combine into one.

Section 21 of Act 153 (2009, No. 153 (Adj. Sess.)) directed the commissioner of education to identify school districts with small schools that should be deemed eligible due to geographic necessity, determine if additional state aid was necessary to ensure their viability, and to recommend a method to gradually withdraw state aid for those schools that were small but not eligible due to geographic necessity.

The language was not intended to recommend the closing nor the merging of non-identified schools but rather to remove state support for those schools that are not geographically isolated. Doing so will reduce the revenues available to those school districts not identified as geographically isolated, subsequently increasing the homestead tax rates for those school districts.

II. Overview of Small Schools Grants (16 V.S.A. § 4015)

The Vermont Legislature created a small schools support grant with the passage of Act 60 (1997, No. 60, § 93). Prior to implementation, the Legislature amended Act 60, creating an additional financial stability grant to assist in supporting small schools with rapidly declining enrollments (1997, No. 71, § 92). Both grants were implemented in the FY1999 school year. Both grant calculations were based on two-year average enrollments, with an eligible school district being defined as one that operated at least one school and had a combined two-year average enrollment of 100 or fewer students.

- A. The small schools support grant was based on the two-year average enrollment times \$500, with the product being subtracted from \$50,000. There was a maximum grant of \$2,500 per enrolled pupil.

- B. The small schools financial stability grant was for those eligible districts whose two-year average enrollment declined by more than 10% of the prior year's average figure. The size of the grant was calculated by first determining the pupil count required to limit the two-year average enrollment loss to a 10% decline. This pupil count was multiplied by the general state support grant to determine the financial stability grant.

In FY1999, the first year of implementation of the small schools grants, 46 school districts were eligible for \$921,000 from the small schools support grant. Of those 46 districts, 3 were eligible for an additional \$58,367 from the financial stability grant (Table 1).

For FY2000, the following year, the Legislature expanded the pool of eligible school districts for the support grant from 52 to 87 by creating a second support grant calculation (1999, No. 49, § 3). Using the average two-year enrollment, eligibility for this second method was based on an average grade size of 20 or fewer in schools operated by the district.

- C. Average grade size meant the two-year average enrollment divided by the number of grades offered. A factor based on average grade size was multiplied by the two-year enrollment average. The result was multiplied by what was then the general state support grant. Beginning in FY2005, the general state support grant was replaced by the base education amount, which in turn was multiplied by 87% (Table 1).

Not only did this second calculation method increase the number of eligible districts from 52 to 87, but it also inflated the support grant cost from \$940,000 to \$4,080,000. If a school district was eligible for either of the small schools support grant calculations, it was allowed the calculation that resulted in the greater amount (*i.e.*, the larger of calculation A or C above). In FY2011, 104 school districts were eligible for just under \$7,000,000 from the support grant calculations. Of those 104 districts, 9 were also eligible for an additional \$112,000 from the financial stability grant. The initial total cost of the small schools grants has grown from \$980,000 in FY1999 to an estimated \$7,240,000 in FY2012, based on an estimated base education amount of \$8,544 (Table 1).

Table 1. Small Schools Grants Amounts, FY1999 through FY2012¹

Fiscal Year	Small Schools Support Grants		Small Schools Financial Stability Grants		Total Grants	GSSG / Base Amount	Applicable Percentage	Amount to Use
	count	amount	count	amount				
FY1999	46	\$921,000	3	\$58,367	\$979,367	\$5,010	na	na
FY2000	87	\$4,084,920	6	\$53,040	\$4,095,043	\$5,100	100%	\$5,100
FY2001	94	\$4,308,116	9	\$111,931	\$4,420,047	\$5,194	100%	\$5,194
FY2002	95	\$4,457,021	8	\$53,118	\$4,510,139	\$5,448	100%	\$5,448
FY2003	97	\$4,618,184	11	\$141,098	\$4,759,282	\$5,566	100%	\$5,566
FY2004	100	\$4,921,003	10	\$102,839	\$5,023,842	\$5,810	100%	\$5,810
FY2005	98	\$5,040,320	15	\$172,745	\$5,213,065	\$6,800	87%	\$5,916
FY2006	99	\$5,046,180	8	\$62,805	\$5,108,985	\$6,975	87%	\$6,068
FY2007	100	\$5,530,917	3	\$71,105	\$5,602,022	\$7,330	87%	\$6,377
FY2008	102	\$6,032,645	8	\$60,907	\$6,093,552	\$7,736	87%	\$6,730
FY2009	106	\$6,467,854	8	\$97,860	\$6,565,714	\$8,210	87%	\$7,143
FY2010	106	\$6,780,356	9	\$134,539	\$6,914,895	\$8,544	87%	\$7,433
FY2011	104	\$6,986,413	9	\$112,241	\$7,098,654	\$8,544	87%	\$7,433
FY2012 ¹	104	\$7,156,051	2	\$84,364	\$7,240,415	\$8,544	87%	\$7,433

¹ FY2012 are estimates only, based on \$8,544. The base education amount has not yet been set.

III. Methodology

A topographic map of Vermont was produced, plotting schools found to be small as per current statute (16 V.S.A. § 4015). Also plotted were the remainder of the schools in the state. Grade configurations and the FY2010 enrollments were shown for each school. It should be noted that capacity was not used as a criterion. School capacity data are not readily available and cannot be easily obtained.

A visual inspection of the map was made by DOE personnel and a consensus list of small schools that appeared to be geographically separated from other schools was compiled. Schools on the consensus list were then looked at in more detail. For each identified school, the driving distance and time to the next closest school with a similar grade configuration were determined using various mapping programs (Arc View, Google Maps, and MapQuest). It should be noted that the programs based driving times on personal automobiles, not school buses. Therefore, the driving times shown can be expected to be longer in actuality.

Initially, a school was considered to be an eligible small school due to geographic necessity if the driving time to the next school was greater than 15 minutes or the distance was greater than 10 miles. The list was then refined further by personal knowledge of the roads and areas. Some schools not initially on the list were added, regardless of distances or driving times.

A strictly objective methodology that could be uniformly applied was difficult to develop due to school proximities to major state routes. A school that was further in distance than another school may have been situated adjacent to a major state route rather than a less well maintained secondary road, thus significantly decreasing travel time.

IV. Small Schools Identified as Eligible Due to Geographic Necessity

Subdivision (1) of Act 153, section 21, requires the commissioner of education to identify small schools that are eligible due to geographic necessity. Twenty-three small schools were identified as being eligible due to geographic necessity (Table 2). It was considered that either the driving times or distances, along with the travel route, were an obstacle in transporting students. Distances and times shown are from school to school and do not take into account additional distance and times for students to reach their current school. Thus, actual seat time on a school bus could be considerably longer for many students than the times shown in the table.

Table 2: Small Schools Eligible Due to Geographic Necessity (by County)

School District	S.U.	County	Distance		Grades	FY10 Enroll	FY2011		Support Grant Per Pupil
			Time (min)	Miles			Support Grant	Stability Grant	
Stamford	Windham Southwest	Bennington	19	12	K-8	68	\$90,404	-	\$1,329
Brighton	North Country	Essex	18	10	PK-8	106	\$103,876	\$3,717	\$980
Canaan	Essex North	Essex	50	29	K-12	212	\$88,713	-	\$418
Guildhall	Essex - Caledonia	Essex	19	12	K-6	20	\$40,250	\$5,575	\$2,013
Lunenburg	Essex - Caledonia	Essex	19	14	PK-8	125	\$83,082	-	\$665
Bakersfield	Franklin Northeast	Franklin	15	9	K-8	155	\$47,274	-	\$305
Franklin	Franklin Northwest	Franklin	19	11	K-6	130	\$23,693	-	\$182
Montgomery	Franklin Northeast	Franklin	20	12	K-8	127	\$92,913	-	\$732
Eden	Lamoille North	Lamoille	13	8	PK-6	131	\$23,693	-	\$181
Waterville	Lamoille North	Lamoille	14	8	PK-6	81	\$73,512	-	\$908
Strafford	Orange - Windsor	Orange	11	7	K-8	123	\$88,824	-	\$722
Charleston	North Country	Orleans	18	10	PK-8	97	\$100,011	-	\$1,031
Lakeview USD #043	Orleans Southwest	Orleans	20	10	K-6	74	\$77,062	-	\$1,041
Lowell	North Country	Orleans	15	11	PK-8	123	\$88,081	-	\$716
Mt. Holly	Rutland - Windsor	Rutland	16	9	K-6	113	\$45,992	-	\$407
Sherburne	Windsor Central	Rutland	18	12	PK-6	98	\$70,985	-	\$724
Shrewsbury	Rutland South	Rutland	19	10	PK-6	64	\$77,303	-	\$1,208
Grafton Elem School	Windham Northeast	Windham	13	7	K-6	76	\$75,371	-	\$992
Marlboro	Windham Central	Windham	11	8	PK-8	95	\$99,695	-	\$1,049
Windham	Windham Central	Windham	18	11	PK-6	19	\$40,000	\$15,238	\$2,105
Barnard	Windsor Central	Windsor	17	10	K-6	74	\$80,834	-	\$1,092
Rochester	Windsor Northwest	Windsor	16	11	K-12	210	\$106,664	-	\$508
Stockbridge	Windsor Northwest	Windsor	14	8	PK-6	67	\$76,523	-	\$1,142
Totals						2,388	\$1,694,755	\$24,530	\$710

Of the schools identified as small due to geographic necessity, twelve are grades K – 6, nine are grades K – 8, and two are grades K – 12. (For the purposes of the calculation, pre-kindergarten and kindergarten are counted as one grade as per statute.) The vast preponderance of small schools as defined under current statute are either grades K – 6 or K – 8. Only four of the 104 schools defined as small under current statute are grades K – 12, with two those being identified as eligible due to geographic necessity.

While actual seat times on a school bus are very likely longer than the times shown in Table 2, which reflect the time an automobile would travel from school to school, it is important to keep in mind that the majority of identified schools are either grades K – 6 or K – 8. This means that the secondary students from these school districts are already traveling further distances and times than are the elementary students.

V. Financial Support

Subdivision (2) of Act 153, section 21, requires the commissioner of education to review the level of financial support necessary for small schools found to be eligible due to geographic necessity. As the base education figure for FY2012 has not yet been set, FY2011 data will be used for discussion. For FY2011, the base education figure is \$8,544. Using the current funding calculations, the total of small schools grants paid to eligible schools for both the support and financial stability grants is \$7,100,000 in FY2011. The small schools identified as eligible due to geographic necessity account for \$1,720,000 of that figure. Funding only the 23 identified schools would save the Education Fund \$5,380,000.

A. Additional financial support for identified small schools

For the 23 identified schools as a group, the current small schools support grant calculations provide funding for 4.1% of their overall FY2011 total expenditures (4.9% as an average for the individual schools), with a low of 1.0% and a high of 12.3% (Table 3). These 23 schools received \$1,690,000 in small schools support grant in FY2011, an average of \$710 per pupil for the group as a whole.

Table 3: Current Small School Support Grants as a Percentage of Total Expenditures for Small Schools Eligible Due to Geographic Necessity (by County)

School District	FY2011 Total Expenditures	FY2011 Small Schools Support Grant	Percentage of Support Grant vs Expenditures	Support Grant Per Pupil
Stamford	\$1,530,714	\$90,404	5.9%	\$1,329
Brighton	\$1,828,824	\$103,876	5.7%	\$980
Canaan	\$3,209,915	\$88,713	2.8%	\$418
Guildhall	\$625,192	\$40,250	6.4%	\$2,013
Lunenburg	\$2,675,125	\$83,082	3.1%	\$665
Bakersfield	\$3,205,573	\$47,274	1.5%	\$305
Franklin	\$1,507,600	\$23,693	1.6%	\$182
Montgomery	\$2,458,203	\$92,913	3.8%	\$732
Eden	\$2,390,778	\$23,693	1.0%	\$181
Waterville	\$1,292,316	\$73,512	5.7%	\$908
Strafford	\$3,026,548	\$88,824	2.9%	\$722
Charleston	\$1,511,871	\$100,011	6.6%	\$1,031

Lakeview USD #043	\$1,251,848	\$77,062	6.2%	\$1,041
Lowell	\$1,521,155	\$88,081	5.8%	\$716
Mt. Holly	\$1,591,543	\$45,992	2.9%	\$407
Sherburne	\$1,462,266	\$70,985	4.9%	\$724
Shrewsbury	\$1,011,310	\$77,303	7.6%	\$1,208
Grafton Elementary School	\$1,318,981	\$75,371	5.7%	\$992
Marlboro	\$2,048,173	\$99,695	4.9%	\$1,049
Windham	\$325,044	\$40,000	12.3%	\$2,105
Barnard	\$994,737	\$80,834	8.1%	\$1,092
Rochester	\$3,265,046	\$106,664	3.3%	\$508
Stockbridge	\$1,696,129	\$76,523	4.5%	\$1,142
Totals	\$41,748,891	\$1,694,755	4.1%	\$710

Given the overall level of support the current small schools support calculation provides, it is not recommended to increase the level of financial support for small schools eligible due to geographic necessity. The current small schools support grant calculations should be left as written for the small schools eligible due to geographic necessity.

B. Phasing out support for other small schools

Subdivision (3) of Act 153, section 21, directs the commissioner to propose to the Legislature a method to gradually withdraw financial support from those schools recognized as small under current statute but that are not recognized as eligible due to geographic necessity in this proposal. If the Legislature so chooses, it is recommended that the withdrawal of financial support occur over three years, with full support in FY2012, reduced amounts in FY2013 and FY2014, and all support being fully gone in FY2015. Two methods are suggested:

1. Freeze the grant at the FY2012 support level, allowing the schools 2/3 of that amount in FY2013 and 1/3 in FY2014 and no funding in FY2015 (Table 4).

Table 4: Reducing the FY2012 Support Grant

Fiscal Year	Estimated Support Grant	Estimated Savings vs. FY2012
FY2012	\$6,990,000	na
FY2013	\$5,220,000	\$1,770,000
FY2014	\$3,460,000	\$3,530,000
FY2015	\$1,690,000	\$5,300,000

2. Annually calculate the small schools support grant for each year as per current statute, allowing the school to receive 2/3 of the FY2013 calculated amount in year one and 1/3 of the FY2014 annual amount in year two. Estimated savings will approximate those in Table 4 but would vary depending on enrollments and the base education amount in future years.

Method 1 has an advantage in that those schools that will no longer be eligible will know the exact amount of funding they will receive in the following two years before complete withdrawal of the grants. Using Method 2 will have a differing base each year, so that the schools will not have a definite number for budgeting.

C. Rescission of current small schools financial stability grant

It is suggested that effective for FY2013, the Legislature consider rescinding the small schools financial stability grant in current statute (16 V.S.A. § 4015 (c)). The current statutory requirement to hold a small school harmless to no more than a 10% decline in the annual average two-year enrollment acts as a reward for declining students.

As an example, a school with a declining two-year average enrollment of 24 from the previous year's average enrollment of 30 would receive an additional \$22,300 for losing the 6 average students. (The maximum allowable loss of 3 requires funding of 87% of \$8,544 for the 3 students required to bring the school back to a 10% annual loss – *i.e.*, 27 students rather than the actual 24.)

For a small school eligible for the current financial stability grant, the calculation for the small schools support grant generally increases from year to year as populations decline for a given school, providing the school directly with additional support. Additionally, the equalized pupil calculation has an annual allowable maximum loss of 3.5% from year to year, thus holding districts harmless to rapid declines in pupil counts. This 3.5% hold-harmless cap keeps the equalized pupil count artificially high, reducing the homestead tax rate accordingly, an indirect benefit for the taxpayers of districts with small schools with rapidly declining enrollments.

In addition to the two financial supports as described above, one direct and one indirect, maintaining the current financial support grant provides a third benefit to a small school with a declining average enrollment.

VI. Issues to Consider

1. The methodology used to classify a small school as eligible due to geographic necessity was a combination of objective and subjective observations. As such, the methodology does not lend itself to clear and concise criteria. Legislation is normally drafted so that the basis for selection is not ambiguous nor open to question. The criteria could be tightened by setting specific limits on either time or distance traveled. Exceeding one or the other criterion would serve to classify a school as small due to geographic necessity.
2. Geographic necessity is by its very nature a subjective term, as noted previously. With the exception of the two K – 12 schools, in all other instances of the eligible schools, the secondary students from those school districts are already traveling longer distances and for longer times than many of the travel times and distances shown.

VII. Conclusion

Twenty-three school districts were deemed to have small schools due to geographic necessity based on driving times and distances as well as roads. Maintaining the current calculations for small schools support grants for these schools results in an estimated cost of \$1,690,000. Ending the support grant over a period of two years to the 81 school districts not so identified will reduce the cost to the Education Fund by \$5,300,000.

If the recommendations in this report are adopted by the Legislature during the current session, then the 104 districts projected to receive small schools grants in FY2012 will receive full funding in FY2012. In FY2013, those 81 districts not identified as having a small school due to geographic necessity will receive 2/3 of that amount, followed by 1/3 in FY2014, and no small schools aid in FY2015. This provides those 81 districts advance notice that their revenues from the State will be declining.

Additionally, it is suggested that the Legislature consider rescinding the small schools financial support grant, effective FY2013. The current small schools support grant provides an increase in aid as enrollments decline while large drops in students are also protected by the maximum allowable loss of 3.5% in the equalized pupil calculation.

Appendix A: Eligible Districts with Small Schools under Current Small Schools Language (16 V.S.A. § 4015)

Appendix A: Small Schools Eligible under Current Statute, part 1 (by County, Addison - Essex)

School District	S.U.	County	Grades	FY10 Enroll	FY2011		Support Grant Per Pupil
					Support Grant	Stability Grant	
Addison	Addison Northwest S.U.	Addison	K-6	107	56,974	-	532
Bridport	Addison Central S.U.	Addison	PK-6	84	76,932	-	916
Comwall	Addison Central S.U.	Addison	K-6	84	77,786	-	926
Leicester	Rutland Northeast S.U.	Addison	PK-6	62	78,697	-	1,269
Lincoln	Addison Northeast S.U.	Addison	K-6	113	57,754	-	511
New Haven	Addison Northeast S.U.	Addison	K-6	112	46,809	-	418
Orwell	Addison - Rutland S.U.	Addison	K-8	116	89,939	-	775
Ripton	Addison Central S.U.	Addison	PK-6	44	63,552	-	1,444
Salisbury	Addison Central S.U.	Addison	K-6	94	72,843	-	775
Shoreham	Addison Central S.U.	Addison	K-6	79	79,719	-	1,009
Weybridge	Addison Central S.U.	Addison	K-6	67	75,984	7,805	1,134
Whiting	Rutland Northeast S.U.	Addison	PK-6	42	58,609	-	1,395
Dorset	Bennington - Rutland S.U.	Bennington	K-8	175	19,344	-	111
Readsboro	Windham Southwest S.U.	Bennington	PK-8	64	82,599	-	1,291
Stamford	Windham Southwest S.U.	Bennington	K-8	68	90,404	-	1,329
Sunderland	Bennington - Rutland S.U.	Bennington	K-6	47	65,671	-	1,397
Woodford	Southwest Vermont S.U.	Bennington	K-6	32	46,605	-	1,456
Newark	Caledonia North S.U.	Caledonia	K-8	55	76,263	-	1,387
Peacham	Caledonia Central S.U.	Caledonia	PK-6	38	53,666	-	1,412
Sutton	Caledonia North S.U.	Caledonia	K-8	94	101,312	-	1,078
Walden	Caledonia Central S.U.	Caledonia	K-8	106	100,977	-	953
Millers Run USD	Caledonia North S.U.	Caledonia	PK-8	166	30,475	-	184
Bolton	Chittenden East S.U.	Chittenden	PK-4	88	34,749	-	395
Brighton	North Country S.U.	Essex	PK-8	106	103,876	3,717	980
Canaan	Essex North S.U.	Essex	K-12	212	88,713	-	418
Concord	Essex - Caledonia S.U.	Essex	PK-12	221	67,046	-	303
East Haven	Caledonia North S.U.	Essex	K-8	25	38,250	-	1,530
Guildhall	Essex - Caledonia S.U.	Essex	K-6	20	40,250	5,575	2,013
Lunenburg	Essex - Caledonia S.U.	Essex	PK-8	125	83,082	-	665

Appendix A: Small Schools Eligible under Current Statute, part 2 (by County, Franklin - Orange)

School District	S.U.	County	Grades	FY10 Enroll	FY2011		Support Grant Per Pupil
					Support Grant	Stability Grant	
Bakersfield	Franklin Northeast S.U.	Franklin	K-8	155	47,274	-	305
Berkshire	Franklin Northeast S.U.	Franklin	K-8	171	31,033	-	181
Fletcher	Franklin West S.U.	Franklin	PK-6	134	24,529	-	183
Franklin	Franklin Northwest S.U.	Franklin	K-6	130	23,693	-	182
Montgomery	Franklin Northeast S.U.	Franklin	K-8	127	92,913	-	732
Isle La Motte	Grand Isle S.U.	Grand Isle	K-6	32	46,605	-	1,456
North Hero	Grand Isle S.U.	Grand Isle	K-6	58	73,494	-	1,267
South Hero	Grand Isle S.U.	Grand Isle	K-8	127	81,503	-	642
Eden	Lamoille North S.U.	Lamoille	PK-6	131	23,693	-	181
Elmore	Lamoille South S.U.	Lamoille	1-3	20	40,250	-	2,013
Waterville	Lamoille North S.U.	Lamoille	PK-6	81	73,512	-	908
Wolcott	Orleans Southwest S.U.	Lamoille	K-6	127	24,529	-	193
Braintree	Orange Southwest S.U.	Orange	K-6	86	76,932	3,345	895
Brookfield	Orange Southwest S.U.	Orange	K-6	86	77,359	-	900
Chelsea	Orange - Windsor S.U.	Orange	K-12	164	127,104	-	775
Newbury	Orange East S.U.	Orange	PK-6	119	23,600	-	198
Orange	Orange North S.U.	Orange	K-8	106	102,910	-	971
Stafford	Orange - Windsor S.U.	Orange	K-8	123	88,824	-	722
Tunbridge	Orange - Windsor S.U.	Orange	K-8	107	95,310	-	891
Washington	Orange North S.U.	Orange	PK-8	78	91,575	-	1,174

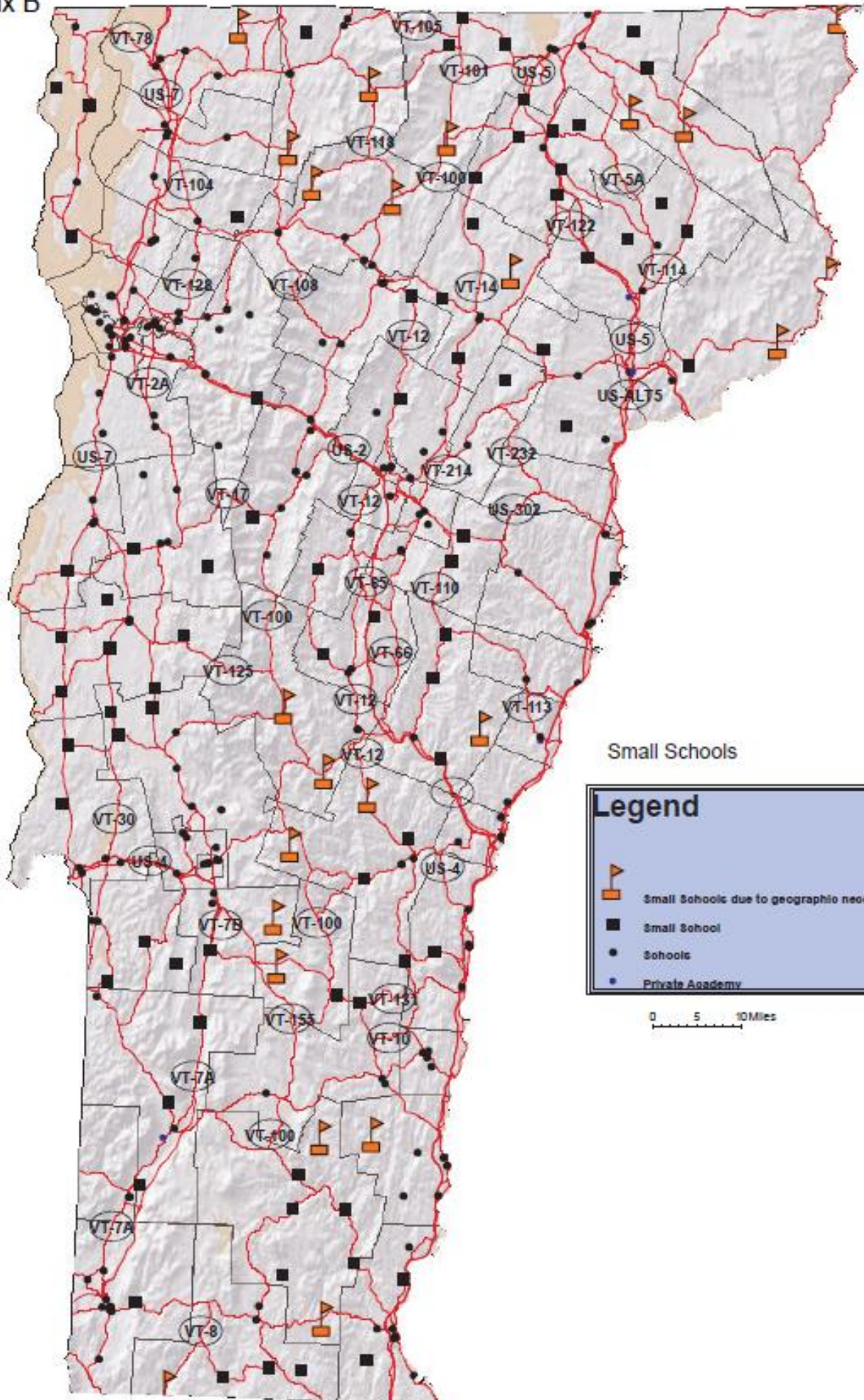
Appendix A: Small Schools Eligible under Current Statute, part 3 (by County, Orleans - Rutland)

School District	S.U.	County	Grades	FY10 Enroll	FY2011		Support Grant Per Pupil
					Support Grant	Stability Grant	
Jay Westfield Joint School	North Country S.U.	Orleans	K-6	91	75,649	-	831
Albany	Orleans Central S.U.	Orleans	K-8	87	101,851	-	1,171
Barton ID	Orleans Central S.U.	Orleans	K-8	148	61,527	-	416
Brownington	Orleans Central S.U.	Orleans	K-7	80	89,791	-	1,122
Charleston	North Country S.U.	Orleans	PK-8	97	100,011	-	1,031
Coventry	North Country S.U.	Orleans	K-8	90	99,156	-	1,102
Craftsbury	Orleans Southwest S.U.	Orleans	K-12	163	143,606	-	881
Glover	Orleans Central S.U.	Orleans	K-8	127	82,766	-	652
Holland	North Country S.U.	Orleans	PK-6	77	81,912	-	1,064
Irasburg	Orleans Central S.U.	Orleans	K-8	122	92,541	7,805	759
Lowell	North Country S.U.	Orleans	PK-8	123	88,081	-	716
Morgan	North Country S.U.	Orleans	K-6	37	52,254	-	1,412
Newport Town	North Country S.U.	Orleans	K-6	102	56,454	-	553
Orleans ID	Orleans Central S.U.	Orleans	K-8	108	91,426	-	847
Troy	North Country S.U.	Orleans	K-8	164	31,404	-	191
Lakeview USD #043	Orleans Southwest S.U.	Orleans	K-6	74	77,062	-	1,041
Benson	Addison - Rutland S.U.	Rutland	PK-8	135	70,502	-	522
Middletown Springs	Rutland Southwest S.U.	Rutland	PK-6	70	78,492	-	1,121
Mt. Holly	Rutland - Windsor S.U.	Rutland	K-6	113	45,992	-	407
Killington	Windsor Central S.U.	Rutland	PK-6	98	70,985	-	724
Shrewsbury	Rutland South S.U.	Rutland	PK-6	64	77,303	-	1,208
Sudbury	Rutland Northeast S.U.	Rutland	K-6	33	47,311	-	1,434
Tinmouth	Rutland Southwest S.U.	Rutland	PK-6	51	68,941	-	1,352
Wallingford	Rutland South S.U.	Rutland	K-6	123	23,693	-	193
Wells	Rutland Southwest S.U.	Rutland	K-6	70	79,756	-	1,139
Currier Memorial USD #023	Bennington - Rutland S.U.	Rutland	K-6	106	55,933	-	528

Appendix A: Small Schools Eligible under Current Statute, part 4 (by County, Washington - Windsor)

School District	S.U.	County	Grades	FY10 Enroll	FY2011		Support Grant Per Pupil
					Support Grant	Stability Grant	
Cabot	Washington Northeast S.U.	Washington	PK-12	219	68,384	-	312
Fayston	Washington West S.U.	Washington	PK-6	131	15,163	-	116
Roxbury	Washington South S.U.	Washington	PK-6	49	64,388	-	1,314
Woodbury	Orleans Southwest S.U.	Washington	K-6	51	68,941	-	1,352
Worcester	Washington Central S.U.	Washington	PK-6	81	82,989	-	1,025
Grafton Elementary School	Windham Northeast S.U.	Windham	K-6	76	75,371	-	992
Brookline	Windham Central S.U.	Windham	K-6	34	53,666	-	1,578
Dover	Windham Central S.U.	Windham	PK-6	88	75,222	-	855
Dummerston	Windham Southeast S.U.	Windham	K-8	166	48,166	-	290
Gulford	Windham Southeast S.U.	Windham	K-8	166	30,568	-	184
Halifax	Windham Southwest S.U.	Windham	K-8	58	80,499	-	1,388
Jamaica	Windham Central S.U.	Windham	K-6	61	76,709	45,713	1,258
Marlboro	Windham Central S.U.	Windham	PK-8	95	99,695	-	1,049
Newfane	Windham Central S.U.	Windham	K-6	99	72,472	11,150	732
Townshend	Windham Central S.U.	Windham	K-6	93	77,786	-	836
Wardsboro	Windham Central S.U.	Windham	PK-6	75	81,373	-	1,085
Whitingham	Windham Southwest S.U.	Windham	PK-5	111	20,905	-	188
Windham	Windham Central S.U.	Windham	PK-6	19	40,000	15,238	2,105
Barnard	Windsor Central S.U.	Windsor	K-6	74	80,834	-	1,092
Bridgewater	Windsor Central S.U.	Windsor	K-6	60	74,144	-	1,236
Cavendish	Windsor Southwest S.U.	Windsor	PK-6	129	23,971	-	186
Ludlow	Rutland - Windsor S.U.	Windsor	K-6	136	15,498	-	114
Plymouth	Rutland - Windsor S.U.	Windsor	K-6	13	38,750	11,893	2,981
Pomfret	Windsor Central S.U.	Windsor	K-6	79	77,786	-	985
Reading	Windsor Central S.U.	Windsor	K-6	40	56,491	-	1,412
Rochester	Windsor Northwest S.U.	Windsor	K-12	210	106,664	-	508
Sharon	Orange - Windsor S.U.	Windsor	PK-6	114	55,933	-	491
Stockbridge	Windsor Northwest S.U.	Windsor	PK-6	67	76,523	-	1,142
West Windsor	Windsor Southeast S.U.	Windsor	K-6	77	77,601	-	1,008
Totals				10,032	6,986,413	112,241	696

Appendix B



Small Schools

Legend

- Small Schools due to geographic necessity
- Small School
- Schools
- Private Academy

0 5 10 Miles

Appendix C: No. 153. An act relating to voluntary school district merger, virtual merger, supervisory union duties, and including secondary students with disabilities in senior year activities and ceremonies.

(H.66)

*** * * Small Schools * * ***

Sec. 21. RECOMMENDATIONS; SMALL SCHOOLS

On or before January 15, 2011, the commissioner of education shall develop and present to the general assembly a detailed proposal to:

- (1) identify annually the school districts that are “eligible school districts” pursuant to 16 V.S.A. § 4015 due to geographic necessity, including the criteria that indicate geographic necessity;
- (2) calculate and adjust the level of additional financial support necessary for the districts identified in subdivision (1) of this section to provide an education to resident students in compliance with state education quality standards and other state and federal laws; and
- (3) withdraw small school support gradually from districts that are “eligible school districts” pursuant to 16 V.S.A. § 4015 as currently enacted but will not be identified as “eligible school districts” pursuant to subdivision (1) of this section.

School Finance Workgroup
 Calculation of Small School Grant for Fiscal Year FY2015

Data are based on 87% of the FYFY2015 base education payment (0.87 x \$9,285 = \$8,078). Small school grants are authorized by Title 16 V.S.A. § 4015.

FYFY2015 Small Schools Support Grant

FYFY2015 Small Schools Support Grant	FYFY2015 Financial Stability Grant
95	5
7,385,898	90,473

LEAID	School District	County	SU Num		
T001	Addison	Addison	2	85,061	-
T002	Albany	Orleans	34	111,274	-
T003	Alburg	Grand Isle	24	-	-
T004	Andover	Windsor	63	-	-
T005	Arlington	Bennington	60	-	-
T006	Athens	Windham	47	-	-
T007	Bakersfield	Franklin	20	52,345	-
T008	Baltimore	Windsor	63	-	-
T009	Barnard	Windsor	51	85,304	-
T010	Barnet	Caledonia	9	-	-
T011	Barre City	Washington	61	-	-
T012	Barre Town	Washington	61	-	-
T013	Barton ID	Orleans	34	-	-
T014	Belvidere	Lamoille	25	-	-
T015	Bennington ID	Bennington	5	-	-
T017	Benson	Rutland	4	111,840	19,387
T018	Berkshire	Franklin	20	-	-
T019	Berlin	Washington	32	-	-
T020	Bethel	Windsor	50	-	-
T021	Bloomfield	Essex	19	-	-
T022	Bolton	Chittenden	12	49,094	-
T023	Bradford ID	Orange	27	-	-
T024	Braintree	Orange	28	85,061	-
T026	Brandon	Rutland	36	-	-
T027	Brattleboro	Windham	48	-	-
T028	Bridgewater	Windsor	51	62,160	-
T029	Bridport	Addison	3	79,427	-
T030	Brighton	Essex	31	115,677	-
T031	Bristol	Addison	1	-	-
T032	Brookfield	Orange	28	85,950	22,618
T033	Brookline	Windham	46	-	-
T034	Brownington	Orleans	34	104,974	-
T035	Brunswick	Essex	19	-	-
T036	Burke	Caledonia	8	-	-
T037	Burlington	Chittenden	15	-	-
T038	Cabot	Washington	41	125,997	37,159
T039	Calais	Washington	32	26,859	-
T040	Cambridge	Lamoille	25	-	-
T041	Canaan	Essex	19	132,520	-
T042	Castleton	Rutland	4	-	-
T043	Cavendish	Windsor	63	62,766	-
T044	Charleston	Orleans	31	98,148	-
T045	Charlotte	Chittenden	14	-	-
T046	Chelsea	Orange	30	130,116	-
T047	Chester	Windsor	63	-	-
T048	Chittenden	Rutland	36	-	-
T049	Clarendon	Rutland	33	-	-

School Finance Workgroup
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FYFY2015 Small Schools Support Grant

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95	5
7,385,898	90,473

LEAID	School District	County	SU Num		
T050	Colchester	Chittenden	7	-	-
T051	Concord	Essex	18	94,634	-
T052	Corinth	Orange	27	-	-
T053	Comwall	Addison	3	81,285	-
T054	Coventry	Orleans	31	110,265	-
T055	Craftsbury	Orleans	35	153,280	-
T056	Danby	Rutland	6	-	-
T057	Danville	Caledonia	9	-	-
T058	Derby	Orleans	31	-	-
T059	Dorset	Bennington	6	-	-
T060	Dover	Windham	46	78,761	-
T061	Dummerston	Windham	48	21,023	-
T063	Duxbury	Washington	42	-	-
T064	East Haven	Essex	8	-	-
T065	East Montpelier	Washington	32	-	-
T066	Eden	Lamoille	25	16,237	-
T067	Elmore	Lamoille	26	40,500	-
T068	Enosburg Falls ID	Franklin	20	-	-
T069	Essex Junction ID	Chittenden	13	-	-
T070	Essex Town	Chittenden	59	-	-
T071	Fairfax	Franklin	22	-	-
T072	Fairfield	Franklin	23	-	-
T073	Fair Haven	Rutland	4	-	-
T074	Fairlee	Orange	64	-	-
T075	Fayston	Washington	42	51,093	-
T076	Ferrisburgh	Addison	2	-	-
T077	Fletcher	Franklin	22	-	-
T078	Franklin	Franklin	21	-	-
T079	Georgia	Franklin	22	-	-
T080	Glover	Orleans	34	76,620	-
T081	Goshen	Addison	36	-	-
T082	Grafton	Windham	47	-	-
T083	Granby	Essex	18	-	-
T084	Grand Isle	Grand Isle	24	-	-
T085	Granville	Addison	50	-	-
T086	Greensboro	Orleans	35	-	-
T087	Groton	Caledonia	57	-	-
T088	Guildhall	Essex	18	40,500	-
T089	Guilford	Windham	48	16,540	-
T090	Halifax	Windham	49	82,113	-
T091	Hancock	Addison	50	-	-
T092	Hardwick	Caledonia	35	-	-
T093	Hartford	Windsor	54	-	-
T094	Hartland	Windsor	52	-	-
T095	Highgate	Franklin	21	-	-
T096	Hinesburg	Chittenden	14	-	-
T097	Holland	Orleans	31	87,242	-

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FYFY2015 Small Schools Support Grant

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95	5
7,385,898	90,473

LEAID School District County SU Num

T098	Hubbardton	Rutland	4
T099	Huntington	Chittenden	12
T100	Hyde Park	Lamoille	25
T101	Ira	Rutland	38
T102	Irasburg	Orleans	34
T103	Isle La Motte	Grand Isle	24
T104	Jamaica	Windham	46
T105	Jay	Orleans	31
T106	Jericho	Chittenden	12
T107	Johnson	Lamoille	25
T108	Kirby	Caledonia	18
T109	Landgrove	Bennington	6
T110	Leicester	Addison	36
T111	Lemington	Essex	19
T112	Lincoln	Addison	1
T113	Londonderry	Windham	6
T114	Lowell	Orleans	31
T115	Ludlow	Windsor	63
T116	Lunenburg	Essex	18
T117	Lyndon	Caledonia	8
T118	Maidstone	Essex	18
T119	Manchester	Bennington	6
T120	Marlboro	Windham	46
T121	Marshfield	Washington	41
T122	Mendon	Rutland	36
T123	Middlebury ID	Addison	3
T124	Middlesex	Washington	32
T125	Middletown Springs	Rutland	38
T126	Milton ID	Chittenden	10
T127	Monkton	Addison	1
T128	Montgomery	Franklin	20
T129	Montpelier	Washington	45
T130	Moretown	Washington	42
T131	Morgan	Orleans	31
T132	Morristown	Lamoille	26
T133	Mt. Holly	Rutland	63
T134	Mt. Tabor	Rutland	6
T135	Newark	Caledonia	8
T136	Newbury	Orange	27
T137	Newfane	Windham	46
T138	New Haven	Addison	1
T139	Newport City	Orleans	31
T140	Newport Town	Orleans	31
T141	North Bennington ID	Bennington	5
T142	Northfield	Washington	43
T143	North Hero	Grand Isle	24
T144	Norton	Essex	19

-	-
-	-
-	-
-	-
80,295	-
46,045	-
89,181	-
-	-
-	-
-	-
-	-
87,889	-
-	-
16,237	-
-	-
106,832	-
16,176	-
104,045	-
-	-
-	-
-	-
112,446	-
-	-
-	-
-	-
88,434	-
-	-
-	-
89,949	-
-	-
51,315	-
-	-
-	-
77,953	-
-	-
95,159	-
16,600	-
-	-
71,066	-
-	-
70,380	-
-	-
-	-
74,923	-
-	-

School Finance Workgroup
 Calculation of Small School Grant for Fiscal Year FY2015

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7,385,898	90,473

LEAID	School District	County	SU Num		
T145	Norwich	Windsor	55	-	-
T146	Orange	Orange	29	114,788	-
T147	Orleans ID	Orleans	34	107,296	-
T148	Orwell	Addison	4	108,689	-
T149	Panton	Addison	2	-	-
T150	Pawlet	Rutland	6	-	-
T151	Peacham	Caledonia	9	69,976	-
T152	Peru	Bennington	6	-	-
T153	Pittsfield	Rutland	50	-	-
T154	Pittsford	Rutland	36	-	-
T155	Plainfield	Washington	41	-	-
T156	Plymouth	Windsor	63	-	-
T157	Pomfret	Windsor	51	85,526	-
T158	Poultney	Rutland	38	-	-
T159	Pownal	Bennington	5	-	-
T160	Proctor	Rutland	37	-	-
T161	Putney	Windham	48	-	-
T162	Randolph	Orange	28	-	-
T163	Reading	Windsor	51	82,699	-
T164	Readsboro	Bennington	49	90,554	-
T165	Richford	Franklin	20	-	-
T166	Richmond	Chittenden	12	-	-
T167	Ripton	Addison	3	65,230	-
T168	Rochester	Windsor	50	161,196	-
T169	Rockingham	Windham	47	-	-
T170	Roxbury	Washington	43	55,254	-
T171	Royalton	Windsor	30	-	-
T172	Rupert	Bennington	6	-	-
T173	Rutland City	Rutland	40	-	-
T174	Rutland Town	Rutland	37	-	-
T175	Ryegate	Caledonia	57	-	-
T176	St. Albans City	Franklin	23	-	-
T177	St. Albans Town	Franklin	23	-	-
T178	St. George	Chittenden	14	-	-
T179	St. Johnsbury	Caledonia	11	-	-
T180	Salisbury	Addison	3	70,723	-
T181	Sandgate	Bennington	60	-	-
T182	Searsburg	Bennington	49	-	-
T183	Shaftsbury	Bennington	5	-	-
T184	Sharon	Windsor	30	16,843	-
T185	Sheffield	Caledonia	8	-	-
T186	Shelburne	Chittenden	14	-	-
T187	Sheldon	Franklin	21	-	-
T188	Killington	Rutland	51	78,357	-
T189	Shoreham	Addison	3	86,677	-
T190	Shrewsbury	Rutland	33	90,474	-
T191	South Burlington	Chittenden	16	-	-

School Finance Workgroup
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FYFY2015 Small Schools Support Grant

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95	5
7,385,898	90,473

LEAID	School District	County	SU Num		
T192	South Hero	Grand Isle	24	101,379	-
T193	Springfield	Windsor	56	-	-
T194	Stamford	Bennington	49	96,694	-
T195	Stannard	Caledonia	35	-	-
T196	Starksboro	Addison	1	-	-
T197	Stockbridge	Windsor	50	79,164	-
T198	Stowe	Lamoille	26	-	-
T199	Strafford	Orange	30	87,202	-
T200	Stratton	Windham	46	-	-
T201	Sudbury	Rutland	36	43,742	-
T202	Sunderland	Bennington	6	83,163	-
T203	Sutton	Caledonia	8	112,890	-
T204	Swanton	Franklin	21	-	-
T205	Thetford	Orange	27	-	-
T206	Tinmouth	Rutland	33	74,217	-
T207	Topsham	Orange	27	-	-
T208	Townshend	Windham	46	85,586	-
T209	Troy	Orleans	31	21,629	-
T210	Tunbridge	Orange	30	95,724	-
T211	Underhill ID	Chittenden	12	-	-
T212	Underhill Town	Chittenden	12	-	-
T213	Vergennes ID	Addison	2	-	-
T214	Vernon	Windham	48	-	-
T215	Vershire	Orange	64	-	-
T216	Victory	Essex	18	-	-
T217	Waitsfield	Washington	42	-	-
T218	Walden	Caledonia	9	109,740	-
T219	Wallingford	Rutland	33	-	-
T220	Waltham	Addison	2	-	-
T221	Wardsboro	Windham	46	88,353	-
T222	Warren	Washington	42	-	-
T223	Washington	Orange	29	108,346	-
T224	Waterbury	Washington	42	-	-
T225	Waterford	Caledonia	18	32,817	-
T226	Waterville	Lamoille	25	75,125	-
T227	Weathersfield	Windsor	52	-	-
T228	Wells	Rutland	38	87,162	-
T229	Wells River	Orange	57	-	-
T230	West Fairlee	Orange	64	-	-
T231	Westfield	Orleans	31	-	-
T232	Westford	Chittenden	13	-	-
T233	West Haven	Rutland	4	-	-
T234	Westminster	Windham	47	-	-
T235	Westmore	Orleans	34	-	-
T236	Weston	Windsor	6	-	-
T237	West Rutland	Rutland	37	-	-
T238	West Windsor	Windsor	52	85,061	-

School Finance Workgroup
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FYFY2015 Small Schools Support Grant

FYFY2015 Small Schools Support Grant	FYFY2015 Financial Stability Grant
95	5
7,385,898	90,473

LEAID	School District	County	SU Num		
T239	Weybridge	Addison	3	71,369	-
T240	Wheelock	Caledonia	8	-	-
T241	Whiting	Addison	36	66,765	4,847
T242	Whitingham	Windham	49	-	-
T243	Williamstown	Orange	29	-	-
T244	Williston	Chittenden	14	-	-
T245	Wilmington	Windham	49	-	-
T246	Windham	Windham	46	41,000	-
T247	Windsor	Windsor	52	-	-
T248	Winhall	Bennington	6	-	-
T249	Winooski ID	Chittenden	17	-	-
T250	Wolcott	Lamoille	35	-	-
T251	Woodbury	Washington	35	72,096	-
T252	Woodford	Bennington	5	38,250	6,462
T253	Woodstock	Windsor	51	-	-
T254	Worcester	Washington	32	89,020	-
T255	Buel's Gore	Chittenden	12	-	-
T256	Averill	Essex	19	-	-
T257	Avery's Gore	Essex	19	-	-
T258	Ferdinand	Essex	31	-	-
T259	Glastenbury	Bennington	5	-	-
T260	Lewis	Essex	19	-	-
T261	Somerset	Windham	49	-	-
T262	Warner's Grant	Essex	19	-	-
T263	Warren's Gore	Essex	19	-	-
J006	Grafton Elementary School	Windham	47	75,125	-
J033	Newbrook Elem		46	-	-
J048	Barstow Memorial JCES	Rutland	36	-	-
J085	Granville/Hancock Joint District	Addison/Windsor	50	-	-
J105	Jay Westfield Joint Contract District	Orleans	31	73,914	-
J242	Whitingham/Wilmington	Windham	49	22,715	-
U002	Randolph UHSD	Orange	28	-	-
U003	Middlebury UHSD	Addison	3	-	-
U004	Woodstock UHSD	Windsor	51	-	-
U005	Vergennes UHSD	Addison	2	-	-
U006	Brattleboro UHSD	Windham	48	-	-
U007	Missisquoi UHSD	Franklin	21	-	-
U008	Otter Valley UHSD	Rutland	36	-	-
U014	Mt. Anthony UHSD	Bennington	5	-	-
U015	Champlain UHSD	Chittenden	14	-	-
U016	Fair Haven UHSD	Rutland	4	-	-
U017	Mt. Mansfield UHSD	Chittenden	12	-	-
U018	Lamoille UHSD	Lamoille	25	-	-
U019	Harwood Union UHSD	Washington	42	-	-
U301	Mountain Towns RED	Windsor	6	-	-
U021	Blue Mountain USD	Orange	57	-	-
U022A	North Country Jr UHSD	Orleans	31	-	-

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FYFY2015 Small Schools Support Grant

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95	5
7,385,898	90,473

LEAID	School District	County	SU Num		
U022B	North Country Sr UHSD	Orleans	31	-	-
U023	Currier Memorial USD#023	Rutland	6	61,352	-
U024	Lake Region UHSD	Orleans	34	-	-
U026	Hazen UHSD	Caledonia	35	-	-
U027	Bellows Falls UHSD	Windham	47	-	-
U028	Mt. Abraham UHSD	Addison	1	-	-
U029	Chester-Andover USD	Windsor	63	-	-
U030	Oxbow UHSD	Orange	27	-	-
U032	U-32 High School	Washington	32	-	-
U033	Twinfield USD	Washington	41	-	-
U034	Leland & Gray UHSD	Windham	46	-	-
U035	Green Mt. Union UHSD	Windsor	63	-	-
U036	Waits River Valley USD	Orange	27	-	-
U037	Millers Run USD	Caledonia	8	87,889	-
U039	Black River USD	Windsor	63	-	-
U040	Mill River USD	Rutland	33	-	-
U041	Spaulding HSUD	Washington	61	-	-
U042	Castleton-Hubbardton USD	Rutland	4	-	-
U043	Lakeview USD #043	Orleans	35	84,536	-
U044	Vergennes UESD	Addison	2	-	-
U045	Duxbury/Waterbury Union #45	Washington	42	-	-
U046	Essex Comm. Ed. Ctr. UHSD #46	Chittenden	13	-	-
U047	Mettawee Community Sch UESD 47	Rutland	6	-	-
U048	Bellows Free Academy, St. Albans	Franklin	23	-	-
U146	Rivendell	Orange	64	-	-
999	Statewide Total			7,385,898	90,473

Hi Shap,

I have been keenly following the discussion and proposals on education financing and sometimes regret that I'm at such a remove from those policy discussions. My past experience at the tax department allowed me to analyze some of the proposals now under consideration and to act as a resource to the Ways & Means Committee in their deliberations.

Others have stepped in, I'm sure, but if you have the time and inclination, I would like to meet with you to share some observations, ideas and concerns.

Best wishes for the new year.

Susan Mesner
Deputy State Auditor

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Vermont's Property Tax Relief Program: A Study in An Overloaded Circuit Breaker



Susan Mesner
Vermont Department of Taxes

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History of Program

- **1970** Program enacted for residents age 65+; refundable credit against income tax for amount by which property taxes exceed 7% of household income or 30% of rent paid; maximum credit \$300
 - **1973** Credit provisionally extended to those under age 65; income percentage changed to sliding scale (4-6%); maximum rebate \$500
-

History of Program cont'd

- **1982** Household income capped at \$25,000; property taxes paid or 20% of rent paid must exceed percentage of income; number of brackets raised from five to six (4-7%)
- **1985** Income cap raised to \$32,000; number of brackets increased to eight (3.5-7%); maximum rebate \$750

History of Program cont'd

- **1987** Income cap and rebate cap eliminated; rent percentage increased to 24%
- **1990** Household income capped at \$60,000; rebates capped at \$2,000
- **1991** Household income capped at \$45,000; rebates capped at \$1,350; rent percentage lowered to 20%

History of Program . . . again

- **1995** Household income cap raised to \$47,000; maximum rebate \$1,500, but reduced by 50 cents for each dollar of income over \$44,000
- **1999** Enactment of new benefit program for households with income between \$47,000-75,000 as part of education reform package

“Income Sensitivity” vs. Circuit Breaker

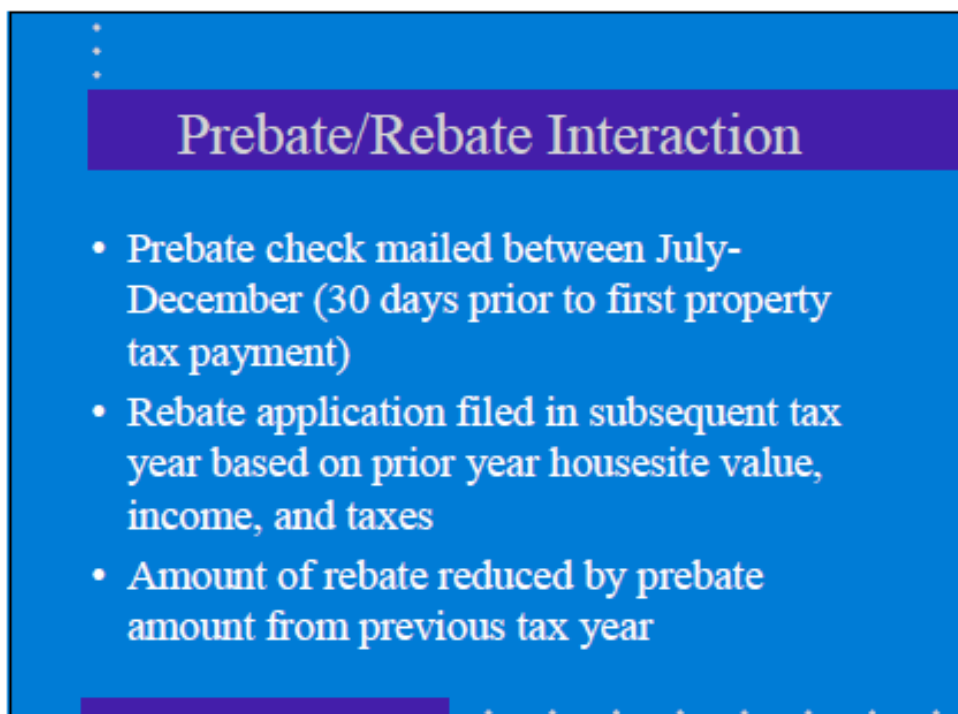
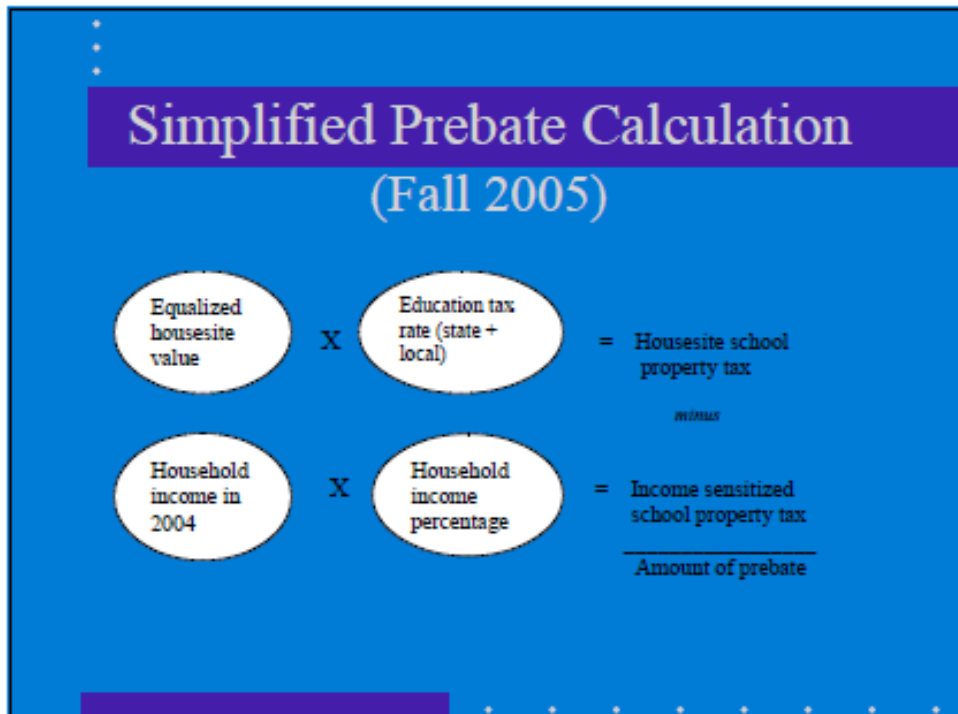
- Legislation passed in 1997 creating a statewide property tax (Act 60) expanded tax relief benefits and provided for a dual system--a “prebate” payment to eligible homeowners intended to “income sensitize” their property tax bills, and the existing rebate system for property owners and renters with household income \leq \$47,000

Public Policy with Competing Goals

- Provide equal educational opportunity by taxing all property the same
- Provide state education block grant to all towns but retain local control over school spending decisions
- Provide property tax relief through income-based system
- Tie local spending decisions to tax relief mechanism

Mechanics of Benefits

- “Income sensitivity” payments (prebate) are calculated based on prior year income and equalized housesite value using a flat rate of 2% (adjusted for local spending)
- “Circuit breaker” payments (rebate) are calculated based on “look back”-- household income and total property taxes in same year--using a sliding income percentage



Growth in Program

- In 1987, the total cost of the program was \$13 million; average rebate = \$403
- In 1997, the cost of the program had increased nearly three-fold, to \$35M
- In FY 2005, the three programs totaled \$104 million; statewide property tax receipts for the fiscal year were \$732 million

Estimation Timeline

- A technical working group meets in September to outline a schedule for model inputs (identification of problems in the model are addressed prior to this)
- Mid-October--all inputs are "finalized"
- Early November--initial estimates available
- Dec. 1--recommendation of tax rates for the coming year

Estimation Inputs for FY07

- CPI estimates
- Income regression equation
- Population projections
- State/local government inflation
- Tax data for prebates for FY06
- Education inputs
- 2005 equalized grand list by town
- Growth rates for homestead grand list
- Growth rates for nonresidential grand list
- Rebate file for tax year 2005

Problems Encountered

- Program changes (e.g., household income definitions, prebate/rebate eligibility and parameters, split grand list)
- Rapid but uneven growth in property values
- Prebate and rebate calculated on same property tax year but different income years (i.e., calculation of benefit differs according to filing behavior)

The “Phantom Population” Problem

- Since inception of program, policy makers and administrators of program have assumed a “phantom population” that was unaware of program
- Assumption based, in part, on Department statistic indicating three-quarters of households have income less than \$75,000, based on returns with MJ or HH status

Where Have All the Households Gone?

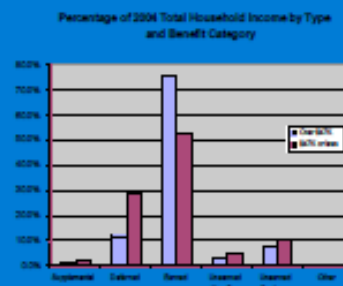
- Department advertised programs, contacted advocacy groups, and did special mailings-- mailing in Fall 2004 had poor return (5%)
- Turned to the PUMS for verification-- approximately 100,000 households with household income under \$75K had property taxes exceeding 3% or more of their income
- PUMS closely matched number of prebates

FY05 Estimate Low by +10%

- Significant movement in and out of rebate program
- Of households getting rebate, 13,000 had incomes lower this year than last; 10,000 had incomes higher last year; 7,000--no income information
- New applicants had lower incomes than estimated

Household Income Analysis

- Relative weight of income components for two groups of beneficiaries differs
- Deferred income more important for under \$47K; fastest growing income category 2001-04



Falling Incomes--Real . . . ?



. . . Or Artifact?

- Demographic effects, e.g., retirement; grown children (finally) moving out
- Manipulation of unearned income
- “Loans” and non-governmental gifts not included in household income
- Large offsetting adjustments to total household income

Two-Year Income Effect

- Act 60 required “true-up” in second year; benefit re-computed with income and property tax data from same year and balance paid to or refunded from State
- “True-up” eliminated in 2002.
Homeowners with rising incomes keep benefit and those with falling income (under \$47,000) calculate benefit on lower income in second year

Possible Remedies

- Changes to household income definition
- Include asset test (complicated)
- Cap the payment (political resistance)
- Combine programs into one system (Tax Dept. favorite)

Estimation Challenges

- Refine income regression equations to account for falling incomes at lower end
- Estimate new applicant pool resulting from increase in income eligibility cap
- Resort to wild guess on number of eligible rebaters who have received prebate but not applied for “second bite” in the past but will do so in coming year
- Use of grand list for estimation purposes that is based on incompletely verified sales sample data

Honorable Speaker Smith,

We thank you for opening up the discussion around education reform to outside groups. As you are well aware, the rising costs of education is the most pervasive issue Vermont currently faces. Campaign for Vermont has long been engaged on this issue, focusing on education as a platform for prosperity growth. It is the basis for our economy and the future of our children.

We see the growth in education spending as the greatest threat to the stability of our education system. As educational resources are stretched, many schools will be forced to make tough decisions about education delivery – which will ultimately hurt our students. We must find a sustainable long-term structure for our educational delivery system to guarantee that the social contract between the provision of education and the local community remain strong.

Most of the discussions leading into this legislative session have revolved around the financing system. This is reflected in the recent report from your education advisory group. We believe that changes to the education finance system, while they may be needed, are simply a redistribution of the burden of education funding and ignores the underlying structural problem. We have a top-heavy administrative system that is not flexible enough to meet the changing needs of a 21st century education.

We believe that replacing the 57 supervisory unions we have now with about 17 Regional Education Administrative Districts (READs) would achieve economies of scale and flexibility to our education delivery. READs would be centered around our current tech center districts to strengthen the link between secondary and post-secondary education as more opportunities for technical training. We have detailed a funding model for these READs that is similar to the block-grant model proposed by your advisory group.

You can find our detailed proposals and an analysis of educational outcomes and spending enclosed.

We look forward to working with you and the House of Representatives on this issue. Education is important and it is imperative that we get it right while respecting local control, administrative efficiency, and quality.

Signed,



Cyrus Patten
Executive Director



Ben Kinsley
Policy and Operations Manager

CAMPAIGN FOR VERMONT

CampaignForVermont.org

Education for the 21st Century
Enabling Local Districts with the Tools to Succeed

November 6, 2014

Tom Pelham, Founding Officer – Campaign for Vermont
Ben Kinsley, Policy and Operations Manager – Campaign for Vermont

CAMPAIGN
FOR VERMONT

Executive Summary

The Bottom Line, Excellent Schools Attract Families and Prosperity

Imagine a public education system that produces the most innovative thinkers, not just in the United States, but in the world. Imagine a system that consistently produces the best prepared citizens and that attracts employers who value the education their employees' children receive. We can have that education system in Vermont.

Vermont faces a variety of challenges that threaten the long-term prosperity of the state. An aging population, lackluster economic growth and poor infrastructure are some of the most serious challenges facing Vermont. In order to preserve the long-term health and vitality of the state, steps must be taken to address these problems. One important element will be to reform Vermont's education system.

The Need for Education Reform

Vermont's K-12 education system is well positioned to be spectacular; however, while Vermont's system is among the best resourced on a per pupil basis, our results are less than best. The bottom line is that current levels in spending are simply unsustainable. Why is it that Massachusetts spends, on average, 14,021¹ dollars per pupil while Vermont spends 17,542²? Despite this gap in spending, Massachusetts still provides better student outcomes than Vermont, and probably the best in the country. Serious structural changes are necessary to ensure that Vermont's education policies are on the right path.

Vermont's education governance structure consists of numerous administrative structures, including local school districts (251), supervisory unions (62) and Technical Trade Centers (15).³ More than 300 school entities serve, on average, the smallest population of students per district in the nation.⁴ Having so many different, and often times overlapping administrative entities leads to more money being spent on costly administrative work rather than educational programs.

Finally, any educational reform effort needs to preserve Vermont's long history of local control. For many communities, the local schools serve as the backbone of civic life. Many people become involved in their communities by serving on their local school boards, coaching school athletics, or volunteering in other school related efforts. And often times the local school serves as the "public meeting house" for that community. Education reform needs to preserve local control to as large an extent possible while allowing necessary reforms to bring down administrative cost and provide better educational opportunities to students.

Despite the complexity in our education system, one thing is clear. We are trying to educate our children for the 21st century using a 19th century school system.

¹ Massachusetts DOE FY2013 expenditures per pupil - <http://www.doe.mass.edu/finance/statistics/ppx13.html>

² VT net expenditures / ADM student count – AOE internal documents

³ VT AOE, Number of Vermont School Districts and Education Entities - http://education.vermont.gov/documents/educ_master_district_list.pdf

⁴ Picus Report, Page 23.

What Reform Looks Like

In order to get per pupil spending in line and provide better educational opportunities for all of Vermont’s children, Vermont needs to take steps to reduce burdensome administrative costs and encourage higher degrees of economies of scale. To do this CFV recommends that we consolidate some key administrative functions into Regional Educational Administrative Districts (READs). These Educational Districts would be given greater authority to control educational spending and implement collaboration among their local districts, streamline the administrative redundancies in our current system, and allow local school districts more flexibility in providing quality education. Savings from consolidating these functions could be put to use expanding educational programs for children, lowering property taxes and ensuring that teachers are adequately paid.

Benefits of Education Reform

Providing a spectacular primary and secondary school system has many rewards. First, our children are better prepared for whatever future they choose to pursue. Whether business, agriculture, the technical trades or the arts, it’s important to send our children forward with the curiosity and skills necessary to thrive. Lastly, a spectacular education system would be a valuable Vermont “brand” asset, attracting businesses to Vermont, providing jobs of all types for our high school and higher education graduates, allowing them to remain in Vermont and build a financially viable career and raise a family of their own.

The following will further expanded on the educational challenges listed above. In addition, this paper explains Campaign for Vermont’s recommendations on child-centered reforms that can give Vermont’s children the education they deserve and have a right to expect -- the very best.

Sincerely,

Tom Pelham
Founding Officer

Cyrus Patten
Executive Director

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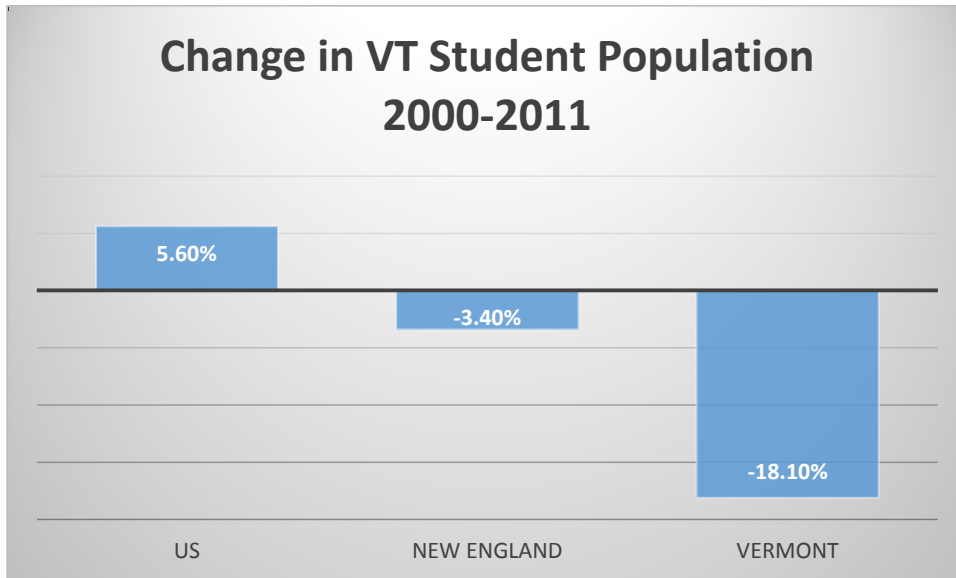
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Vermont’s Education System Today

Spending and Population Demographics

In January 2012, at the request of the Legislature, a team of consultants issued a report (The Picus Report)⁵ profiling, on a comparative basis, the core characteristics of Vermont’s K-12 system. The report found the following: The number of Vermont school children has dropped dramatically in recent years and is projected to continue declining. In addition, school district sizes continue to decrease across the state and remain significantly lower than both national and regional averages.

⁵http://picusodden.com/wp-content/uploads/2013/09/VT_Finance_Study_1-18-2012.pdf



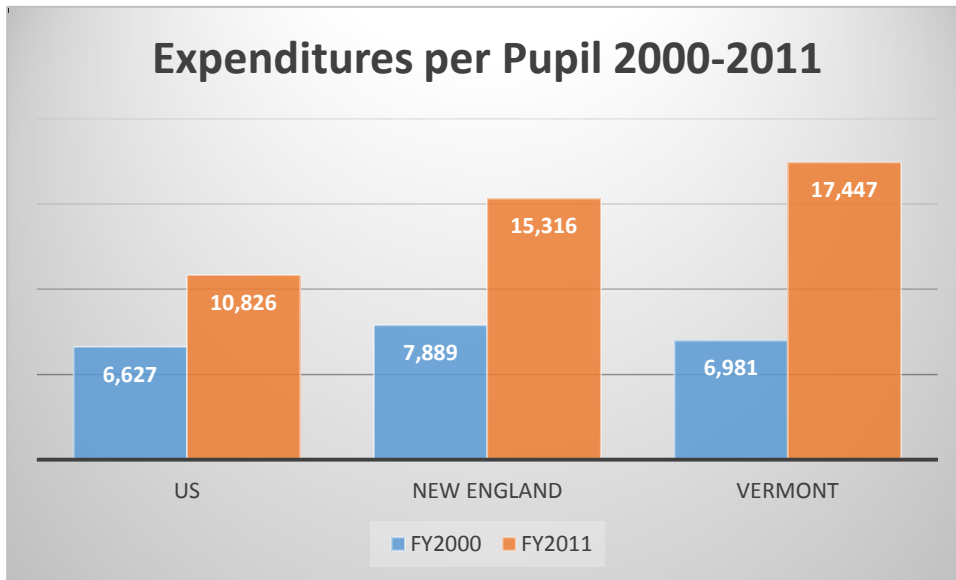
Source: Picus Report Table 3.7

This chart clearly demonstrates that Vermont's K-12 population has declined. Yet while Vermont's school population continues to decline the cost of maintaining these administrative districts is on the rise.

In October of 2014, Campaign for Vermont (CFV) released a [Report on Education Outcomes and Spending](#). CFV used data collected from the Vermont Agency of Education and Vermont Department of Taxes to look for any relationships between school district size, spending, or incomes and NECAP test scores.

Our statistical analysis showed no relationship between school district size and spending per student and test scores. This is the same conclusion the Picus Report came to. All around Vermont you can find a variety of school districts of different sizes and spending levels that achieve a variety of student outcomes.

Our most interesting finding? Median school district income is the best predictor of student outcomes, with nearly a 50% correlation. This is a well-documented national phenomenon, and appears to be no different in Vermont.



Source: Picus Report, Table A1.4

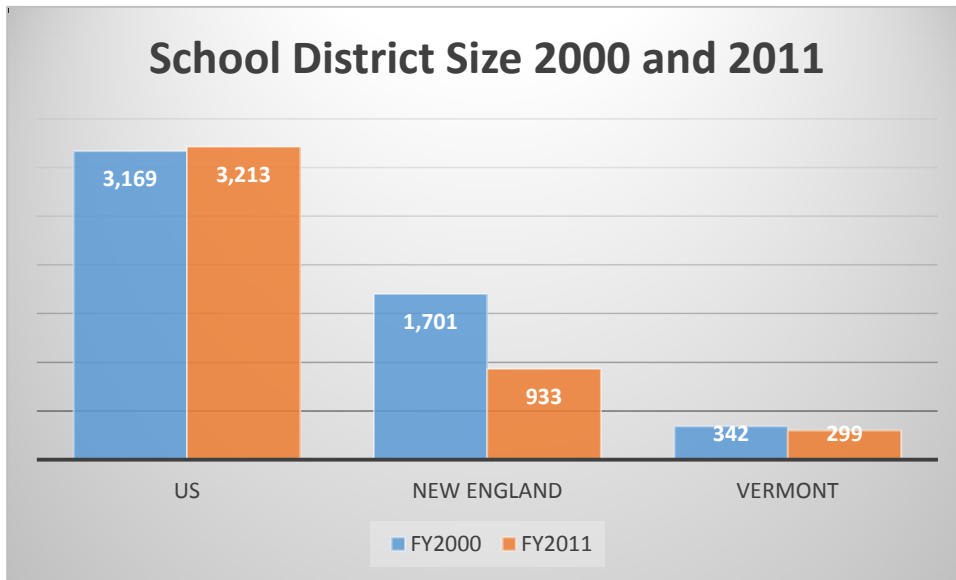
On a per pupil basis, Vermont’s school system is expensive, costing 14% more than the New England average and 60% more than the national average. The chart above shows that Vermont’s spending per pupil was close to the U.S. average in 2000 but has grown at a faster rate since then.

Vermont ranks among the highest in the country for spending per pupil. As a point of reference, if Vermont’s per pupil spending equaled that of Massachusetts, which has better student outcomes than Vermont and possibly the best in the nation, Vermont education costs would be \$134 million less.⁶

Much of the administrative overhead costs associated with Vermont’s school governance system are due to redundancies in administrative functions across our 277 school districts and 58 supervisory unions, which serve a shrinking school population. The average size of a Vermont school district is around 300 students, far below the New England average, and even further below the national average.⁷

⁶ (Vermont Cost per ADA – Massachusetts Cost per ADA) X Vermont ADA =’s
 (\$17,727 - \$16,161) X 85,501 students = \$133,894,566. See Appendix D.

⁷ Picus Report, Page 24 - Table 3.8: Average School District Size. Number of school districts and S.U.’s on page xi.



Source: Picus Report, Table A1.8

Vermont has among the lowest number of students per administrator in the country at 184.1 students per administrator. The New England average is 258.4, and the national average is 291.9 students per administrator.⁸ This means that the number of students per administrator in Vermont is 37% below the national average, driving the overall cost to educate our students up.

Educational Outcomes

While Vermont’s educational system does face some serious challenges there are a few areas where it performs well. The National Assessment of Education Progress (NAEP), an assessment required by federal law for each state, as well as the New England Common Assessment Program (NECAP), an assessment developed for several New England states to satisfy the requirements of the federal “No Child Left Behind” legislation, offer a picture of Vermont’s successes. The Picus Report notes that Vermont’s scores on the NAEP continually rank among the top ten in the nation.

Despite this success Vermont still faces serious educational challenges. The Picus report also makes a number of points that demonstrate Vermont’s room for growth. Reviewing NAEP and NECAP scores, the Picus Report finds that Vermont students are losing ground compared to other New England states – both New Hampshire and Rhode Island have seen greater improvement in student test scores in the past five years. The average scores for students in Massachusetts are consistently higher than the average scores for students in Vermont even though Massachusetts has a much larger at-risk population. New Hampshire students as well have consistently scored better than Vermont students on the math and reading exams. Where Vermont’s scores have increased between 2003 and 2013, the gains have been modest.⁹

⁸ The Picus Report – Table 3.10: Teacher & Administrator to Student Ratios

⁹ See Appendix B

Comparison of Vermont NAEP results with New England and with National Results	2013 Vermont Scores			National Scores
	Test	Average	National Ranking	New England Ranking
4 th Grade Math	248	5	3	241
8 th Grade Math	295	4	3	284
4 th Grade Reading	228	7	4	221
8 th Grade Reading	274	4	3	266

Source: NAEP Results 2013 – NationsReportCard.gov

International Assessments and Rankings

In today’s flattening world economy, Vermont’s children must be prepared to compete with students from around the world. Jay Peak’s recent expansion in the Northeast Kingdom utilizing the EB-5 program, a federal program that provides visa’s to foreigners in return for capital investment, is just one example. Being near the top of the education list in the United States or New England does not translate to being prepared to compete with graduates from other nation’s school systems. To protect and grow American and Vermont jobs, we need to provide a world-class education for our children.

Programme for International Student Assessment (PISA)

The member countries in the Organization of Economic Cooperation and Development (OECD) produce two-thirds of the world’s goods and services and publishes PISA scores that compare educational outcomes. This assessment finds the United States far down the list of accomplishment.

In assessments of 15 year old students in the 65 OECD or partner economies in the areas of Reading, Mathematics, and Science, the United States students ranked 24th, 36th, and 28th respectively in comparison to 15 year olds from the other nations.¹⁰

Further, using PISA data for countries and NAEP data for states, Stanford economist Eric Hanushek with colleagues from Harvard and the University of Munich compared U.S. education data with international data and then rank order their findings. The top scoring nations in math were Shanghai, Singapore, Hong Kong, and Korea respectively. Massachusetts ranked 9th behind Switzerland, followed by Minnesota ranked 18th behind Germany and Australia and then Vermont ranked 19th.¹¹

Educational Opportunities are Not Equal

In keeping with the Brigham decision and Act 60/68, Vermont’s school districts must have substantially equal educational opportunities. In one sense, it does; one town cannot raise substantially more

¹⁰ PISA 2012 Results: <http://www.oecd.org/pisa/keyfindings/pisa-2012-results-overview.pdf>

¹¹ http://educationnext.org/files/ednext_20114_research_peterson.pdf

education dollars than another on a per pupil basis. Our research actually found a slight negative relationship between education spending per student and district income. This would indicate that the redistributive effects of Act 60/68 are working to keep more affluent districts from spending more on education than disadvantaged districts.

However, in another sense, there is still a great inequality in educational attainment. It is not driven by school districts themselves, as Act 60/68 addresses, but rather by socio-economic class. Our research indicates a relatively strong relationship between school district income and test scores. Further, it's clear that children from lower income families who are eligible for free or reduced lunch (FRL) do not perform as well as children not eligible. Here's a summary of the results for reading and math from 2008 to 2013.

NECAP Scores by Income
3rd-8th Grade Math – Proficient and Above

	2008	2009	2010	2011	2012	2013
Not FRL	73%	75%	75%	76%	76%	72%
FRL	48%	49%	49%	51%	51%	47%

Source: Vermont Agency of Education [NECAP Assessments 2005-2013](#)

3rd-8th Grade Reading – Proficient and Above

	2008	2009	2010	2011	2012	2013
Not FRL	79%	80%	82%	82%	83%	81%
FRL	54%	57%	58%	61%	59%	57%

Source: Vermont Agency of Education [NECAP Assessments 2005-2013](#)

Given the chart above, it is clear that lower income students are not doing as well as higher income students.

In order to address this inequality in our system, we must allow school districts to be flexible in their response to changing demographics and educational needs. For example, the ability for two neighboring school districts to share an art or music teacher, or offer AP and other specialized classes. Something that neither district would be able to do effectively on their own, but by sharing resources they are able to create a new opportunity for students.

Conclusions

The above methods of measuring educational outcomes provide Vermonters some comfort that our K-12 education system generally offers our youth a reasonable, but not the best nor spectacular, level of educational opportunity; although those from lower income families do not achieve the same results as those from higher income families.

While it is true that Vermont scores higher than most states nationally, Vermont's scores lag behind other New England States and other developed countries. In order to be competitive Vermont must take steps to ensure that education spending goes to educating students not filling paperwork.

Recommendations

Simplify, Streamline and Refocus Our Educational Infrastructure

With over 300 local and regional administrative entities plus the State Department of Education serving slightly over 85,000 students, the demands on resources to simply coordinate Vermont's K-12 system are immense. Vermont's K-12 education system has the highest ratio of administrators to students in the nation.¹² Such a system is inherently cumbersome, directing resources away from the classroom and students in favor of organizational and administrative demands. Campaign for Vermont, for reasons of efficiency and better service to students, recommends the following specific reforms to the current system.

Creation of Regional Education Administrative Districts (READs)

Campaign for Vermont recommends the elimination of Vermont's supervisory unions in favor of more powerful Regional Education Administrative Districts (READs) organized around Vermont's 17 technical centers. Organizing READs around technology centers would provide a clear path for students interested in attending a technical college, or provide a stepping-stone to a traditional four year institution.

Local school districts will continue to manage areas most important to parents and students, such as hiring local staff and principals, managing the local school building and prioritizing budget assignments. READs will focus on economies of scale and economies of opportunity for students, including budget approval by district voters, budget assignment to school districts, teacher contract negotiations, transportation coordination, capital investment projects, purchasing of supplies, and coordination of AP and special education courses across the district to maximize availability.

READ Governance Structure

Each READ would be governed by a single board; each local school board would select one member to represent their school at the READ board. These members would be responsible for representing their school's interest before the board such as on budget issues and teacher contract negotiations. Each member of the READ board would have a proportional vote to their local district population.

READ Financing Structure

Campaign for Vermont believes that the mandates of the Vermont Supreme Court's Brigham decision, which requires "substantially equal" educational opportunity for all Vermont's children and the basis for Act 60 and Act 68, is the established standard in Vermont. However, the money raised through education taxes should remain, as much as possible, within the communities in which it was raised while complying with Brigham.

Campaign for Vermont proposes replacing the statewide tax rate with a regional one administered by the READs. The budget shall include the following items now covered by the state's education fund: the education payment, transportation, and technical education. When a READ budget is approved by voters, these items, which comprise 85% of state k-12 education spending, will be shared in accord with the Brigham decision by the READ's school district property owners. In short, to a significant

¹² The Picus report, page 26.

extent, towns will no longer be sending the majority of their property tax dollars to the state education fund in Montpelier for management by the state legislature, but to the more local READ's comprised of neighboring cities and towns and controlled and managed locally. While the Brigham decision has forever severed the decision to spend with the levy of the local property tax, the READ framework reunites the spending decisions with associated property tax burdens at the regional level rather than with the state legislature.

The state would use current general fund, federal, and other education revenue to equalize the regional tax rates in keeping with the Brigham decision and provide for special education. This system will allow flexibility at the local level as well as provide substantially equal educational resources.

School Budget Process

Local School boards would be responsible for creating a preliminary budget, the local school board's representative would present their budget to the READ board for debate and voting. Once all preliminary budgets have been approved by the READ board they will be compiled into a master budget that will be brought up for a final vote on town meeting day for approval by the voters of the READ.

READs Help Retain and Strengthen Local Control

Local school districts are a treasured and vital part of Vermont's community heritage. Shifting administrative functions and revenue collection to Regional Education Administrative Districts allows for local districts to have greater input into the way that education dollars are being raised and spent. Keeping education tax revenue inside the READ gives them the resources to be creative in finding education solutions. Such an alignment, as outlined above, would allow READs to be of a size that generates economies of scale beneficial to taxpayers as well as the critical mass necessary to offer students a rich and diverse educational environment and experience. A strong READ structure will make it possible for our schools to collaborate, share resources, and work systematically to provide more opportunities for our students.

READs Help Foster Bottom up Education Policies

The intent of this reform is to foster education policies from the bottom up (school board and READ) rather than from the top down (State Board of Education and Secretary of Education). Each of the approximately 15 READ's should be free to explore and pursue educational reforms and curricula that are responsive to the needs of district students. Diverse approaches for educating Vermont's children should be allowed and encouraged, but measured very carefully and often for effectiveness. For example, given demographic and cultural differences among student populations, approaches to better serving the needs of students might be quite different for a READ serving the Burlington area relative to an READ serving the Northeast Kingdom. The new governance model will enable local education leaders to focus on improving learning in a customized, locally appropriate way.

Summary

In short, creating READs will help to control cost by consolidating administrative functions, allow greater flexibility to respond to changing needs, and create more educational opportunities for our students. They would also allow local districts greater input in the way that education funding is raised and spent in their communities. READs would empower local communities to play an active role in creating education policy.

Role of State Government

Partners in Reform

The Agency of Education should play a helpful role in gathering and sharing information that thoroughly informs READs, local school boards, parents and citizens of the status of student outcomes and progress, or lack thereof, and encourage READs to constantly seek and achieve high standard results. For example, the state Board of Education would be responsible for:

- Determining the standardized tests used to evaluate student outcomes and distributing broadly these results and others like the SAT, NAEP, and NECAP exams;
- Collecting, via the teacher licensing process, and distributing information that profiles the quality and performance of the instructional workforce in each READ;
- Collecting and disseminating comparative financial data profiling the financial performance and cost effectiveness of READs;
- Sharing “best practice” information garnered from READs and local school districts as well as national and international sources.

However, decisions on how to best utilize information from the Agency of Education would remain with the READ and local school district representatives. State recommendations are fine but state mandates should be avoided. For example, there would be no statewide mandates regarding the length of the school day or the annual school calendar. Campaign for Vermont believes critical education and spending decisions should not be made at the statehouse, but as close to parents, students and community members as possible.

Income Sensitivity

In 2014, the effective homestead rate was \$1.41 and the non-residential rate was \$1.44, yet only \$1.25 of these was necessary to support education, the rest being necessary to raise the \$142.5 million for income sensitivity which is cost shifted. CFV recommends that the cost of income sensitivity be explicit on tax bills as a separate, non-education charge that taxpayers can see rather than have it embedded and hidden, as it is now, in the base education rates. Income sensitivity is not a requirement of Brigham nor is it education related but it comprises 18 cents (13%) of current education tax rates.

The State Pays Its Own Costs

While school funding issues should be decided within Regional Education Administrative Districts, the state still has an important role to play regarding education spending. The state should retain its current financial responsibilities for the following education fund budget items: the state share of special education costs, state placed students, EEE Block Grant, the Community (Corrections) High School of Vermont, Adult Education and Literacy, the Renter Rebate program, the reappraisal and listing payment and the VISION Accounting System. The small schools grants can be sunset as decisions regarding the size of school districts belong to local school districts and READ's. The state shall pay for its obligations from state funds (Sales & Use Tax, Purchase & Use Tax, and general fund, lottery and Medicaid transfers) currently mandated to the state Education Fund.

Further, the state shall finance its responsibility of equal access to equal educational opportunity consistent with the Brigham decision to the extent that the distribution of the education grand list per pupil is not “substantially equal” across all READs. The equity required by Brigham will be easier to achieve and more transparent, while tax resources will be kept more local by managing this responsibility over approximately 17 READs rather than over the current practice involving hundreds of school districts. The required equity can be achieved by directing the state funds mandated to the education fund to READs assuring that each penny of their tax rates raises a substantially equal (but not necessarily precisely equal) amount of revenue per pupil. If this remainder of state funds is not sufficient to achieve the Brigham standard of substantial equality, then the state can assess a statewide property tax on the statewide education grand list to raise the necessary additional funds.

Conclusion

Vermont is at a critical juncture. Over the next decade Vermont will begin to feel the effects of stagnant population and economic growth coupled with unsustainable levels of spending. Therefore it is necessary to take preventative measures that will help address these long-term problems. Consolidating administrative cost through the creation of regional education administrative districts would redirect money back to students, back to taxpayers and empower regional communities to serve an active role in educating their children. Education reform coupled with economic development will help set Vermont up for success for years to come.

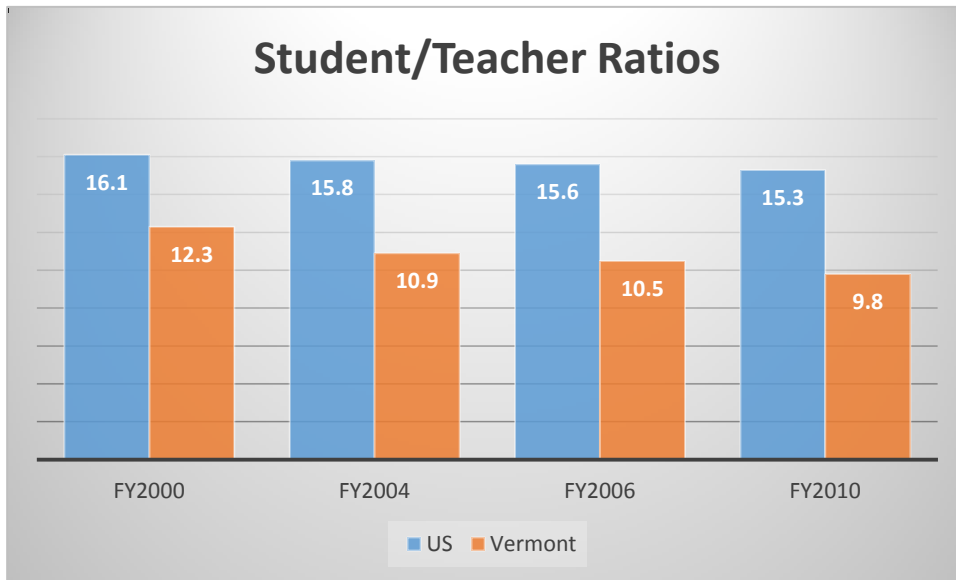
Let’s partner together to create a sustainable and equitable platform to educate our children for the 21st century.

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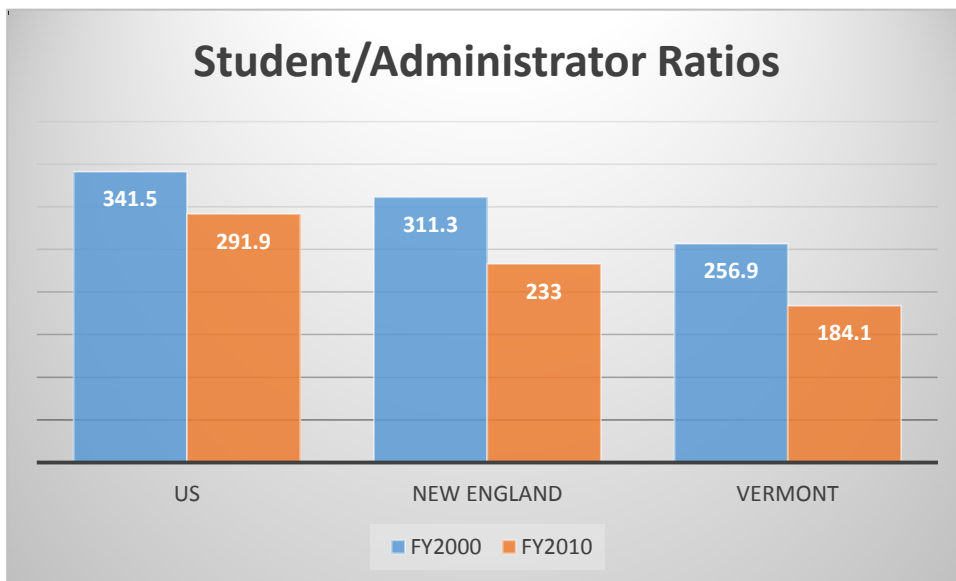
Appendix A

Student/Teacher and Student/Administrator Ratios

1. Vermont’s ratio of students to teachers is the lowest in the country. Student to Administrator is the 3rd lowest.

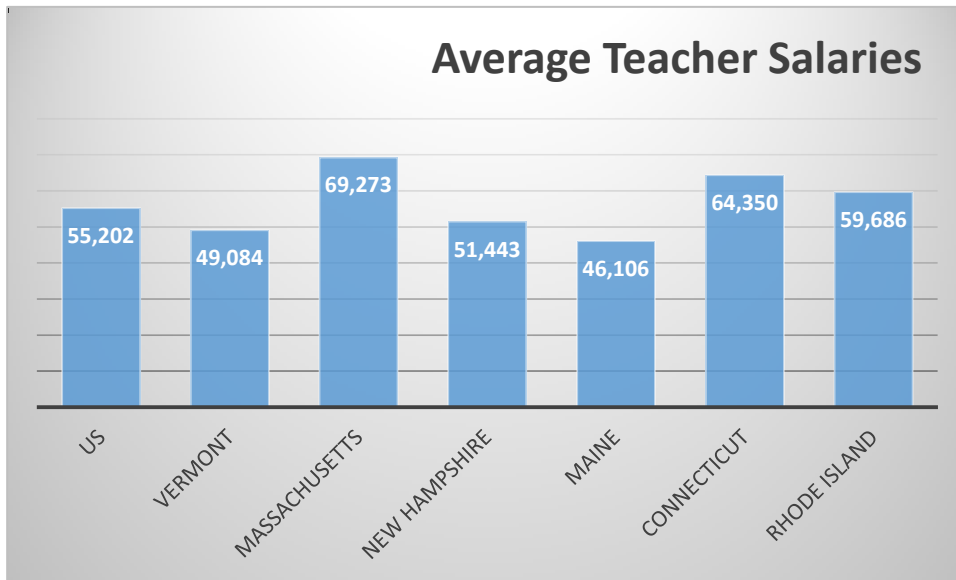


Source: Picus Report, Table A1.10a



Source: Picus Report, Table A1.10b

2. Average teacher salaries in Vermont have not kept pace with those in New England or the national average. Note that Massachusetts has much higher average salaries but also a slightly higher ratio of pupils to teacher at 13.6.



Average Teacher Salary - FY2012

State	Ave. Salary	National Ranking
Vermont	49,084	28
United States	55,202	
Maine	46,106	
New Hampshire	51,443	
Rhode Island	59,686	
Connecticut	64,350	
Massachusetts	69,273	

Source: Picus Report, Table A1.9

Appendix B

Vermont's NAEP scores compared to New England and the US.

Math 4th Grade	Vermont Scores			National Scores	
	Year	Average	National Ranking	New England Ranking	Average
	2003	242	3	2	235
	2005	244	6	3	238
	2007	246	6	3	240
	2009	248	4	3	240
	2011	247	6	3	240
	2013	248	5	3	241

Math 8th Grade	Vermont Scores			National Scores	
	Year	Average	National Ranking	New England Ranking	Average
	2003	286	6	3	278
	2005	287	3	2	279
	2007	291	4	2	281
	2009	293	3	2	283
	2011	294	4	2	283
	2013	295	4	3	284

Reading 4th Grade	Vermont Scores			National Scores
Year	Average	National Ranking	New England Ranking	Average
2003	226	4	4	218
2005	227	3	3	219
2007	228	4	3	221
2009	229	5	4	221
2011	227	7	4	220
2013	228	7	4	221

Reading 8th Grade	Vermont Scores			National Scores
Year	Average	National Ranking	New England Ranking	Average
2003	271	3	3	263
2005	269	7	4	262
2007	273	2	2	263
2009	272	3	2	264
2011	274	4	3	264
2013	274	4	3	266

Source: NationsReportCard.gov

Appendix C

CFV Report on Education Outcomes and Spending - Overview

Campaign for Vermont found that in most cases there is no relationship between NECAP exam scores and measurements of spending or district size. While all correlations between test scores and ADM counts were under 10%, the correlation between 11th grade math scores and ADM was 24.6% with an R-squared value of 6%. While this is not particularly significant, it does indicate a possible relationship and might suggest that school district size has a slight effect on high school level math scores, at least in 2014.

We see this trend again when it comes to education spending per equalized pupil. Eleventh grade math and scores showed a 23.1% correlation with an R-square value of 5.3%. Three through eighth grade math and reading scores showed no correlation. This again suggests a possible, but weak, relationship between education spending and high school educational outcomes per equalized pupil. However, given that the redistributive effect of the calculation of equalized pupils among school districts, as noted in finding (4) above, the apparent correlation, though weak, might be further diluted when controlled for such redistribution.

While the above data may be indicative, we do not consider the 11th grade statistics to be as accurate as the 3-8th grade statistics for two reasons. First, the number of school districts with an 11th grade is fewer than those with 3-8th grades and thus offers a smaller sample size. Secondly, since the 11th grade test only measures one class, results could vary significantly from year to year within a particular school. This measure may be more accurate if averaged over a longer period of time.

The most salient statistics were found regarding the comparisons of educational outcomes to income measurements. See chart below:

CFV Education Outcomes and Spending Report

Test Scores relative to district's ADM count	Correlation	R ²	District Count	School district size appears to have little relationship to test score outcomes. There does appear to be a slight relationship between ADM and 11 th grade math scores.
3-8 Math	-0.04005	0.001604	196	
3-8 Reading	-0.019974	0.0004041	196	
11 Math*	0.2458918	0.0604628	52	
11 Reading	0.0824402	0.0067964	52	
Test Scores relative to district's Equalized Pupil Count	Correlation	R ²	District Count	Similar to district size based on ADM, district size based on equalized pupil counts have little bearing on test score outcomes. Again, as with ADM, there may be a slight relationship with regard to grade 11 math scores.
3-8 Math	-0.055757	0.0031088	191	
3-8 Reading	-0.029858	0.0008915	191	
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Test Scores relative to Education Spending per ADM			District Co unt	The level of “education spending” per ADM does not appear to have a significant relationship to test score outcomes.
3-8 Math	-0.02426	0.0005886	196	
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11 Math :	-0.024138	0.0005827	52	
11 Reading	0.0766687	0.0058781	52	
Test Scores relative to Total Spending per ADM		R²	District Co unt	Total school district expenditures per ADM do not appear to have a significant relationship to test score outcomes.
3-8 Math	-0.068506	0.0046931	196	
3-8 Reading	-0.048398	0.0260064	196	
11 Math	-0.120293	0.0850621	52	
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Test Scores in relation to “education spending” per equalized pupil		R²	District Co unt	A slight relationship between “education spending” per equalized pupil appears at the 11 th grade level, however this could be merely a function of the calculations behind education spending and equalized pupils. (See Findings 4 and 6 above)
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Test Scores in relation to district median income (adjusted gross income – AGI)			District Co unt	The strongest relationship found was between median district income (AGI) and test scores. These correlations indicate that test results increase as household incomes rise, indicating that the home environment in economically better off households is more conducive to academic achievement.
3-8 Math *	0.4489159	0.2015255	169	
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Ed\$/EqPup : EqPup	-0.0015	0.0000023	273	
Spending in relation to income measures	Correlation	R²	District Count	The correlation between measures of spending per pupil and income measures (AGI and FRL) indicate a district's wealth is not a predictor of levels of spending per pupil, possibly reflecting the success of redistributive effects of Act 60/68 subsequent to the Brigham decision.
\$/ADM : FRL	-0.04153	0.0017248	176	
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\$/ADM : AGI	-0.203722	0.0415028	252	
			252	
Ed\$/ADM : AGI	-0.157698	0.0248686		

Appendix D

Spending per student and graduation rates data from the National Center for Education Statistics.

Spending per Student

	FY2004 \$/ADA	FY2011 \$/ADA	ADA FY2004*	ADA FY2011*
United States	\$ 10,463	\$ 13,087	45,325,731	46,168,400
New England**	\$ <i>12,546</i>	\$ <i>16,852</i>	<i>2,122,743</i>	<i>2,018,647</i>
Vermont	\$ 12,675	\$ 17,727	95,160	85,501
Massachusetts	\$ 12,322	\$ 16,161	932,417	910,568
Connecticut	\$ 13,721	\$ 18,514	561,530	537,104
Maine	\$ 11,813	\$ 15,936	187,492	165,067
New Hampshire	\$ 10,625	\$ 15,334	202,352	188,913
Rhode Island	\$ 12,989	\$ 17,614	143,792	131,494

*ADA stands for Average Daily Attendance

**New England numbers calculated by adding member states

Source: Nation Center for Education Statistics – ELSI Table Generator tool

Graduation Rates FY2010

State	Diploma Recipi ents	Other HS Completers	Av. Freshman Grad. Rate*
Vermont	7199	29	91.4% (1)
United States	520270	136193	78.4%**
Maine	14069	105	82.8% (13)
New Hampshire	15034	455	86.3% (7)
Rhode Island	9908	0	76.4% (33)
Connecticut	34495	321	75.1% (40)
Massachusetts	64462	1093	82.6% (14)

*() is national ranking

**Weighted average

Source: National Center for Education Statistics - ELSI Express Tables, State Diploma Recipients

CAMPAIGN FOR VERMONT

**CampaignForVermont
org**

Education Outcomes and Spending

A Data Driven Analysis

September 22, 2014

Tom Pelham, Founding Partner
Benjamin Kinsley, Policy and Operations Manager

CAMPAIGN

Report on Education Outcomes and Spending

September 22, 2014

Campaign for Vermont is committed to creating a flexible world-class education system that provides Vermont's young people with the skills and tools to succeed in our 21st century workforce. (Please see our [Putting Children First](#) position paper) Important to this goal is evaluating how our current system is performing. To this end, Campaign for Vermont has generated this report that evaluates Vermont's current education system using a data driven approach and statistical analysis.

There has, to this point, been no serious effort to compare Vermont's education system on a spending to outcomes basis. Campaign for Vermont used the most recent NECAP and spending data from the Vermont Agency of Education (AOE) combined with 2012 income information from the Vermont Department of Taxes to profile the performance of Vermont's education system at the school district level.

Given that we are an organization with limited resources, we have conducted a broad analysis inclusive of all Vermont school districts to identify causal relationships between school district size, spending per student, district measures of income and student outcomes as measured by NECAP scores. Our intent is to encourage a data driven discussion of education reform in Vermont and avoid policy decisions based on assumed but unproven relationships. We encourage the Vermont Agency of Education and others, like the Legislature's Joint Fiscal Office, to provide more in-depth analysis at what drives education outcomes in Vermont, especially to inform legislators, parents and citizens during discussions of education reform in the coming legislative session.

For example, the AOE might conduct a similar analysis for school years 2011 through 2013 to see if our statistical results are replicated over time or develop data sets that don't currently exist but which are important to student outcomes, such as recommended by the Picus Report with regard to the talent and performance levels of our educators. The consideration of reforms to Vermont's education funding system absent of such data driven analysis is otherwise a fool's errand.

Data Sources

Campaign for Vermont used three specific sources of data:

- A database from the Agency of Education's School Finance Team profiling a number of variables for school year 2014 at the school district level. These variables include:

Campaign for Vermont, Report on Outcomes and Spending

- Average Daily Membership (ADM)¹ and Equalized Pupil counts². The definition of ADM and Equalized Pupils can be found at the links footnoted below.
 - District school budgets and district spending per ADM and Equalized Pupil.
 - Education Spending³ per both ADM and Equalized pupil. Education spending is a legislatively defined value and a subset of school district budgets. Its definition can be found in the referenced footnote below.
- Agency of Education data report on "Reading, Mathematics, Writing & Science: 2013" (NECAP scores).⁴ These variables include:
 - Free and Reduced Lunch (FRL) Percentages
 - 3-8th Grade Math Scores
 - 3-8th Grade Reading Scores
 - 11th Grade Math Scores
 - 11th Grade Reading Scores
 - Vermont Department of Taxes 2012 report on "Town Median Income —All Returns."⁵ This report profiles a town's median adjusted gross income based on state tax returns and is organized by school district.

The district spending data from the AOE and the median income information from the Department of Taxes were organized on a per district basis; however, the NECAP data was organized on a per exam per school basis. In order to compare them accurately the NECAP data had to be consolidated to the school district level (See Appendix A).

Major Findings

1. Similar to the findings of the legislatively sponsored Picus Report⁶, school district spending per pupil, whether ADM or Equalized Pupil, appears unrelated to district income measures. For example, Derby's spending per student is nearly equal to Shelburne's, even though Derby's median income is nearly half of Shelburne's. This finding affirms the equity in Vermont's school funding system found by Picus and resulting from the Supreme Court's Brigham decision and the passage of Act 60 and Act 68.

<http://www.leg.state.vt.us/statutes/fullsection.cfm?Title=16&Chapter=133&Section=0400>

¹

²<http://www.leg.state.vt.us/statutes/fullsection.cfm?Title=16&Chapter=133&Section=0401>

⁰

³ Definition of education spending can be found here:

<http://www.leg.state.vt.us/statutes/fullsection.cfm?Title=16&Chapter=133&Section=04001>

⁴This report can be found here: <http://education.vermont.gov/assessment/datattnechap>

⁵ The report can be found here: <http://www.state.vt.us/tax/statisticsincome.shtml>

⁶Picus Report, January 18, 2012: "The state has designed an equitable system. We found virtually no relationship between district fiscal capacity (measured by either district property wealth or personal income) and spending levels. Disparities in per pupil spending across districts meet or nearly meet well established benchmark standards for school finance equity. Page iii

2. Further, school district spending per pupil, whether ADM or Equalized Pupil, appears unrelated to school district pupil counts. This means that high spending and low spending school districts are found across the spectrum of Vermont school districts regardless of a school district's enrollment size. For example, the Burlington, South Burlington and Rutland school districts are the largest in the state and all spend above the \$17,512 state average per ADM at \$19,095, \$17,519 and \$22,312 respectively. However, there are also small districts that have high spending. Brighton, Stockbridge, Shrewsbury also spend well above the state average per ADM. Conversely, large districts such as Barre City, Spaulding and Milton spend well below the state average at \$14,134, \$15,894, and \$14,876 respectively along with small districts, like Montgomery, at \$13,977. This finding does not speak favorably to the concept that large consolidated school district's are necessarily more cost effective than Vermont's small school districts.
3. Further, NECAP test scores appear unrelated to both school district ADM and Equalized pupil counts except for a possible very slight relationship for 11th grade math. The Burlington school district with 3,944 students, for example, has test results similar to Royalton with 320 students. Again, this finding does not speak favorably to the concept that large consolidated school district's offer students greater educational opportunity than smaller school districts.
4. NECAP test scores appear unrelated to levels of total spending per pupil, whether ADM or Equalized Pupils. Eden, for example, spends \$20,074 per ADM with 3-8th grade math and reading proficiencies of 56.2% and 62.53% respectively. Pomfret spends about the same at \$20,577 but achieves proficiencies of 89.5% for math and 100% for reading.

However, there does appear a modest positive relationship between levels of "education spending" per Equalized Pupil, especially associated with 11th grade math and reading scores. This possible correlation requires additional analysis for the result can simply be a product of the data sets used. For example, NECAP scores are driven by the count of ADM pupils taking the test, and not adjusted for the artificial shifts in student count resulting from the calculation of Equalized Pupils, which modestly shifts the student count in favor of lower wealth districts.

5. The strongest relationship, by far, were district NECAP test scores in relation to district median adjusted gross income (AGO and Free and Reduced Lunch (FRL) measures. (See Chart 1 below) As district AGI increased so did test score results and vice versa relative to FRL. However, it's important to note that relative to a school district's measures of income, there is no significant difference in spending per ADM as district incomes change. Out of the ten towns reporting median AGI above \$50,000, all but one was below the state average for

spending per student. Shelburne, for example, spends \$14,829 per student, well below the state average.

6. The calculation of Equalized Pupils is not transparent, and in fact is significantly confidential, and submissions of statutorily defined "Education Spending" to the Agency of Education are not audited. Given the use of a district's Equalized Pupils and Education Spending for purposes of both setting local education tax rates and comparing expenditure patterns among school districts, Campaign for Vermont views the above lack of transparency and lack of financial oversight as major weaknesses. How can school boards and citizens be sure Vermont's education funding system is fairly administered when tax rates are determined using essentially confidential and unaudited information?

Increases in equalized pupils and decreases in education spending tend to lower local tax rates, and vice versa. For example, the 2014 calculation of equalized pupils diminishes Essex Town's school population relative to ADM by 51.9 students while Barre City's relative count increases by 36.91 students. Similarly, South Burlington's student count relative to ADM decreases by 72.6 students while Burlington's and Rutland City's increase by 136.9 and 111.7 respectively.

With regard to "education spending," there is a wide variation in the portion of a school's budget certified by school superintendents as "education spending." Education spending is a legislatively defined value and a subset of school district budgets. Statewide, the average is 78 percent of school districts' budget is attested to by superintendents as "education spending". However, the level in Rutland City was only 61 percent while Milton's was at 87 percent, for example.

Equalized pupil counts are calculated using confidential Agency of Human Services (AHS) data. This information is not available to the public or anyone outside of the AHS. In response to a Freedom of Information request to the Secretary of Education, the AOE states,

"The equalized pupil count is weighted for students residing in families receiving nutrition benefits. The Agency of Education receives these counts from the Agency of Human Services. AHS does not send AOE identifying information as part of this function. Federal standards limit the sharing of such identifying information. See, e.g. 7 CFR §272.1"

Further, AOE states "With regard to information on students who reside within a family receiving nutrition benefits," the Agency relies upon confidential information received directly from the Agency of Human Services. AOE does not receive identifying information within this data, but nonetheless cannot share this data because of the ways in which small community, school, and grade sizes within Vermont can allow

identifying inferences that would run contrary to AOE's duties to protect student records under FERPA, 1 V.S.A. § 317(c)(11), and, in this case, potentially, the federal School Lunch program (see, e.g. 42 U.S.C. § 1758(b)(6))."

"As with the data for families receiving nutrition benefits, the state-placed student data can also allow identification as the data are received by district and by grade. Again, that would run counter to AOE's duties to protect student records under both FERPA and 1 V.S.A. § 317(c)(11)."

With regard to oversight of district "education spending," as defined in statute, the AOE response was:

"the Superintendent of each school district must submit a signed form attesting to the accuracy of the information." Further, "Any independent reviews would be carried out by or for the State Auditor of Accounts, who would be the custodian of any resulting records."

However, the website of the State Auditor of Accounts does not profile any audits of "education spending" as statutorily defined.

Discussion and Recommendations

Campaign for Vermont found that in most cases there is no relationship between NECAP exam scores and measurements of spending or district size. While all correlations between test scores and ADM counts were under 10%, the correlation between 11th grade math scores and ADM was 24.6% with an R-squared value of 6%. While this is not particularly significant, it does indicate a possible relationship and might suggest that school district size has a slight effect on high school level math scores, at least in 2014.

We see this trend again when it comes to education spending per equalized pupil. Eleventh grade math and scores showed a 23.1% correlation with an R-square value of 5.3%. Three through eighth grade math and reading scores showed no correlation. This again suggests a possible, but weak, relationship between education spending and high school educational outcomes per equalized pupil. However, given that the redistributive effect of the calculation of equalized pupils among districts, as noted in finding (4) above, the apparent correlation, though weak, might be further diluted when controlled for such redistribution.

While the above data may be indicative, we do not consider the 11th grade statistics to be as accurate as the 3-8th grade statistics for two reasons. First, the number of school districts with an 11th grade is fewer than those with 3-8th grades and thus offers a smaller sample size. Secondly, since the 11th grade test only measures one class, results could vary significantly from

year to year within a particular school. This measure may be more accurate if averaged over a longer period of time.

The most salient statistics were found regarding the comparisons of educational outcomes to income measurements. See chart below:

Chart 1— Test Scores by Income Measures

Measure	Correlation Coefficient	R-Squared
Math : AGI	44.9%	20.2%
Reading : AGI	43.9%	19.2%
Math : FRL	-47.3%	22.4%
Reading: FRL	-40.9%	16.7%
Math : AGI	49.6%	24.6%
Reading : AGI	32.1%	10.3%
Math : FRL	-44.3%	19.6%
Reading: FRL	-36.3%	13.2%

You will notice that the above correlations related to income reflect relationships in both 3-8th grade and high school populations. Using both the percentage of students on Free or Reduced Lunch and district AGI profiles, we can see that both measures track fairly close, though the relationships are inverse.

Decision makers should evaluate the above relationships, or absence thereof, carefully. They suggest that more money dedicated to our school system will not achieve measurable improvements in student outcomes. As noted by Picus, "Vermont's schools have among the highest levels of per pupil revenue in the United States." Further, the Secretary of Education and legislative leaders, absent compelling supporting data and analysis, should not embrace politically crafted education reform proposals, such as the neutering of local school districts last session in House Bill 883, in favor of state enforced consolidated districts. The recommendations and decisions of these top shelf leaders should be thoughtful and data driven and not crafted in the heat of political expediency.

Further, the Secretary of Education and legislative leaders should further explore areas where there are clear and positive relationships to student outcomes. The data indicates that higher income households engender better education outcomes for students than lower income households. Vermont's education system is not structured nor directly tasked with the responsibility of raising household incomes. However, the Secretary might explore and identify the characteristics of households, in addition to higher levels of resources, that nurture better student outcomes. Are such outcomes just a function of more income or are their associated

⁷ Picus Report, January 18, 2012, Executive Summary, page xv

qualities that can inform educators, Agency of Human Service leaders and social workers alike, causing them to leverage public investments in human service programs that advantage student outcomes.

Finally, the Secretary of Education should be more proactive in developing additional data sets and analysis that will better inform those interested in education reform opportunities. For example, the Picus report contained case studies that identified important variables that improve student outcomes.⁸ The report states:

"An in depth study of five schools that have shown substantial improvements in student performance over the last five years shows that Vermont schools, even those with high proportions of low income children, can produce large gains in student learning. The case studies also identified a number of promising practices for improving student performance."

One such area was the talent of educator and school leadership. The report recommends that policy makers:

- "Assess the degree to which Vermont has the teacher and principal talent to execute effective school improvement strategies that dramatically boost student learning. Specifically conduct an analysis of the teacher and principal supply channels in Vermont. This would include analysis of the institutions from which teachers and principals are recruited, assessment the quality of the talent that is recruited for Vermont's schools, and development of an understanding of the degree to which Vermont recruits teachers and principals from the top or bottom half of the talent pool."

"This information could be used to design policies to ensure that future educator talent is recruited from the top so that the best and the brightest teach in and administer Vermont schools."

- "Join the action of nearly two-thirds of the other states in the country to develop new and comprehensive teacher and principal evaluation systems. These systems would use multiple measures to place teachers and principals into 4-5 different categories of effectiveness — effectiveness defined as producing student learning gains. Use these new metrics to design new systems to license, tenure and pay educators."⁸

However, a search of the Agency of Education's website does not find any teacher talent or evaluation profiles at the district level as encouraged by the Picus recommendation. If a parent wants to find the kind of information recommended by Picus or a policy maker wants to test

⁸ Picus Report, January 18, 2012, page iii

⁹ Picus Report, January 18, 2012, page xvii

whether Picus' recommendation is statistically validated, the necessary data set is simply unavailable.

The Agency of Education does publish the following topside information on teacher and principal evaluations, but this information is mostly process oriented and not available for or of value to profiling talent levels at the district level.

[http://education.vermont.gov/documents/EDU-Memo_0914_Teacher **Principal Survey.pdf**](http://education.vermont.gov/documents/EDU-Memo_0914_Teacher_Principal_Survey.pdf)

Appendix A

In order to accurately compare NECAP scores to spending and income statistics, the dataset had to be consolidated to the school district level.

NECAP scores are calculated on four levels of proficiency. Level 1 being substantially below proficient, Level 2 partially proficient, Level 3 proficient, Level 4 proficient with distinction. The NECAP results data gives you the percentage of students in each category. We combined level 3 and 4 proficiency to give the percentage of students considered proficient and above, which we refer to as proficiency level.

We then consolidated the district's data creating a weighted average proficiency for each district and each exam. The four exams we chose to look at were 3-8th Grade Math scores, 38th Grade Reading scores, 11th Grade Math scores, and 11th Grade Reading scores.

Once all the datasets were in the same district level format we combined them into one database in order to run our statistical analysis. We sorted the database for each exam and compared them against our spending and district size variables.

You can request more information on the process used by emailing Ben Kinsley at ben@campaignforvermont.org

Appendix B

Methodology

To measure the relationship between the variables, the correlation coefficient (Pearson's R value) and the R-squared value were used.

The Correlation coefficient is "a measure of the degree of linear relationship between two variables."¹⁰ A correlation coefficient may be between -1 and 1 with 0 being no relationship and a negative value being an inverse relationship.

R-squared is the proportion of variance in one variable that can be explained if you know another variable. R-squared is on a scale of 0 to 1 showing what percentage the value of one variable can account for the value of another.

Below are the results for each statistical analysis we conducted. None of these results indicate a high degree of relationship between the two variables except income measures in relation to test scores. A few others indicate that further analysis might be useful. These have an asterisk * next to the variables.

Correlations				
Test Scores relative to district's ADM count	Correlation	R ²	District Count	
3-8 Math	-0.04005	0.001604	196	School district size appears to have little relationship to test score outcomes. There does appear to be a slight relationship between ADM and 11 th grade math scores.
3-8 Reading	-0.019974	0.0004041	196	
11 Math*	0.2458918	0.0604628	52	
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Test Scores relative to district's Equalized Pupil Count	Correlation	R ²	District Count	
3-8 Math	-0.055757	0.0031088	191	Similar to district size based on ADM, district size based on equalized pupil counts have little bearing on test score outcomes. Again, as with ADM, there may be a slight relationship with regard to grade 11 math scores.
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¹⁰ <http://www2.webster.edu/~woolfilm/correlation/correlation.html>

Test Scores relative to Total Spending per ADM		R²	District Count	Total school district expenditures per ADM do not appear to have a significant relationship to test score outcomes.	
3-8 Math	-0.068506	0.0046931	196		
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Test Scores in relation to district median income (adjusted gross income – AGI)		Correlation	R²	District Count	The strongest relationship found was between median district income (AGI) and test scores. These correlations indicate that test results increase as household incomes rise, indicating that the home environment in economically better off households is more conducive to academic achievement.
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Spending in relation to income measures		Correlation	R²	District Count	The correlation between measures of spending per pupil and income measures (AGI and FRL) indicate a district's wealth is not a predictor of levels of spending per pupil, possibly reflecting the success of redistributive effects of Act 60/68 subsequent to the Brigham decision.
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Ed\$/ADM : AGI	-0.157698	0.0248686	252		

Mr. Speaker

I am writing today at the request of the Dover School and Select boards. We appreciate your request for ideas on property tax reform as well as the attention you have paid to our past concerns about both cost and equity of our education funding system.

Attached is a study that our taxpayers commissioned and funded in 2011 that looked at equity and the economic impacts of Vermont's education finance system.

We are also pleased to attached a policy brief on Vermont Education from Penn State's Center on Rural Education and Families. Dover is one of the Vermont towns the researchers have spent a significant amount of time with. We are grateful for their efforts and experience, and would encourage further interview and examination of the pair and their work. What follows is an email from Daniella Hall, co-author of the policy brief:

We believe strongly in our education reform plan, and welcome the opportunity to discuss our proposal with your colleagues. Mr. Burfoot-Rochford and I are rural education researchers with expertise on Vermont's small schools, and believe we bring a valuable and needed perspective to the debate on consolidation. Collectively, we have researched and taught in rural New England communities for over 20 years. Therefore, we have both a strong vested interest and nuanced understanding of the complexities of Vermont's educational system.

In investigating Vermont's educational reform efforts, we pinpointed a significant lack of accurate information within the debate on the fiscal and academic effects of consolidation. Our plan is therefore unique in that it is informed by comprehensive knowledge and extensive research on consolidation, providing vital information that is currently absent in the debate. Furthermore, our plan is among the few we have seen that takes into account both finance reform and educational equity. We believe our bipartisan approach, research-driven proposal, and critical understanding of Vermont's communities and schools uniquely positions us to shape this issue. We welcome the opportunity to discuss this with you or your colleagues further at your convenience.

Thank you,
Daniella Hall, Ed.M.

Thank you again for soliciting for ideas to help create solutions to the education finance problem.

Sincerely,
Laura H. Sibilila
Dover, VT

cell: 802-384-0233_

Vermont Educational Reform: A Balanced Approach to Equity and Funding

Daniella Hall and Ian Burfoot-Rochfordⁱ
Penn State University

Executive Summary

The State of Vermont's educational system faces unprecedented challenges. Rising education costs, exacerbated by declining student enrollment, has led to an exponential growth in per pupil spending. Vermont schools are failing to consistently improve students' academic achievement and close the income-based achievement gap. Vermont's fiscal and educational challenges have prompted multiple reform proposals. However, extensive research shows that key recommendations such as consolidation could be counterproductive, producing negative unintended consequences for students, their families and their communities in this predominately rural state. In sum, the state needs fiscal and educational reform that is appropriate for Vermont.

RESEARCH ON CONSOLIDATION

Drawing from over a century of research on the outcomes of district and school consolidation, we found **no evidence that consolidation will produce beneficial financial or educational outcomes for Vermont**. To illustrate the likely outcomes of mandated consolidation, we provide a case study of Maine's recent district reorganization plan and current status.

We also found previous experiences that suggest **policies that eliminate or reduce the Small Schools Grant will undermine the economic and social stability in Vermont's numerous small towns**. Such proposals fail to account for the critical role small schools play in sustaining their local communities. We assert that Vermont's small schools are one of the state's strengths, and can be leveraged to increase academic, economic, and community development.

A BALANCED PROPOSAL FOR VERMONT

This proposal is designed to provide locally controlled, fiscally responsible, educationally sound reform that is informed by research and practice. The proposed reform has two components:

Reform Act 60/68 Funding Structures:

1. Establish parameters for school budget items funded through the education fund.
2. Lower the excess spending threshold, while also implementing size-based exemptions to ensure equity regardless of school size.

Reform Small Schools Grants:

1. Restructure the Small Schools Grant to a competitive application process that incentivizes school partnerships with families, communities, and businesses.
2. Increase funding for the restructured Small Schools Grant as a means to promote economic development and academic innovation in rural communities.

SUMMARY

Vermont faces a critical juncture in educational reform. Educational costs are rising while student populations are decreasing, and Vermont's schools have persistent achievement gaps. A century of research strongly suggests neither district consolidation nor the elimination of the Small Schools Grant will produce needed reforms. Instead, we recommend a balanced approach that revises current funding to decrease local school budgets and redesigns the Small Schools Grant to strengthen cultural and economic health in rural communities. Our plan honors local control, fiscal responsibility, and effective educational improvement. Now is the time to invest in the futuristic needs of students and rural communities. Our plan proposes a path forward, where public education makes living and working in rural communities a sustainable choice in Vermont.

This policy brief was co-authored by Daniella Hall and Ian Burfoot-Rochford, rural education researchers with expertise on Vermont's small schools. Collectively, the authors have researched and taught in rural New England communities for over 20 years. They have a strong vested interest in the state's schools, as well as a research-driven understanding of the complexities of Vermont's educational system.

Vermont Educational Reform: A Balanced Approach to Equity and Funding

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The State of Vermont's educational system faces unprecedented challenges. Rising education costs, exacerbated by declining student enrollment, has led to an exponential growth in per pupil spending. Furthermore, nearly all public schools are currently identified as "failing" under No Child Left Behind (NCLB). While many contend NCLB's designations inaccurately represents Vermont's school performance, educational leaders agree Vermont schools are failing to consistently improve student outcomes and close the income-based achievement gap.

Vermont's fiscal and educational challenges have prompted multiple reform proposals. However, extensive research shows that key recommendations, such as consolidation or elimination of the Small Schools Grant, would do more harm than good in the state. The state needs reform that is *appropriate for Vermont*.

The purpose of this policy brief is three-fold. First, we identify the unique elements of Vermont's educational system, as well as current challenges for schools and taxpayers. Second, we use research and case studies to analyze current legislative recommendations intended to resolve the state's issues. Third, we offer an alternative proposal designed for Vermont that is locally controlled, fiscally responsible, educationally sound reform.

VERMONT'S UNIQUE SYSTEM

Local Control: In contrast to many states, Vermont's educational system is highly localized. Most school districts contain a single town, where educational decisions are determined by locally-elected school boards. The majority of school districts belong to Supervisory Unions and are overseen by superintendents. The superintendents have limited authority however, as the majority of educational control resides at the local level. Local control is fiercely protected by Vermonters, who view self-governance as a vital and historical right.

Act 60/68: Vermont implemented a new educational funding system, Act 60, in response to *Brigham v. State* (1997). Prior to Act 60, individual communities funded their schools through locally set homestead tax rates, which generated disparities in educational opportunities.² Revised in 2003 under Act 68, the legislation centralized education funding by collecting local taxes on the state level and redistributing them to communities per equalized pupil (PEP).³ To offset inequalities generated by school size, the state also implemented Small Schools Grant, which provide additional funding for schools with small or rapidly decreasing student populations.

VERMONT'S CURRENT CHALLENGES

Funding: Over the past fifteen years, Vermont's

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per pupil spending has drastically increased. Between 2000 – 2011, per pupil expenditures increased by 149.9%.^{m4} Vermont currently ranks fifth in the country in per pupil spending, paying an average of \$16,788 per student in 2013.⁵ Furthermore, this spending growth occurred at a much faster rate than the national average.

Growing education costs are attributable to rising educational expenditures and a drastic decline in statewide student enrollment. From 2000 – 2010, the state experienced an 18% decrease in student enrollment, which is projected to continue long-term.⁶ Small schools and districts have felt the brunt of lower enrollments and rising costs. Many small schools and districts are now running below enrollment capacity and are facing extreme per pupil costs due to ‘diseconomies of scale’.⁷

Other school level factors influenced rising education costs. Teacher salaries are one of the largest educational expenditures; Vermont increased its teacher population by 8% over the past five years, generating considerable growth in salary expenses.⁸ Special education costs rose significantly over the past decade.⁹ School district health care premiums rose to \$172 million dollars over the last school year alone.¹⁰ These three factors – rising teacher salaries, special education expenses, and health insurance premiums – exacerbate already high per pupil expenditures statewide.

The dramatic increase in educational funding has resulted in a similar increase in property taxes, which fund the state’s local schools. Property tax increases resulted in community upheaval and the rejection of 35 school budgets in 2014.¹¹ Statewide, residents are demanding change.

^m 1999-2000 per pupil expenditures were \$6,981; 2010-11 per pupil expenditures rose to \$17,447 (Picus et al., 2012).

Academics: Since implementation of Act 60/68, Vermont schools have made small gains on student achievement and educational equity measures, such as the New England Common Assessment Program.¹² While Vermont performs well on national and international measures, within-state academic progress is inconsistent across schools, and does not reflect outcomes predicted by Act 60/68 implementation. Frustration over rising education costs is compounded by the lack of progress towards educational goals. Furthermore, as there is no consensus regarding the underlying causes of school performance deviations¹³ the state does not have a unified intervention plan.

We believe Vermont’s current education system and proposed reforms undervalues inherent strengths of rurality and small schools and exacerbate inequities. We believe rural schools are a strength, not a problem, and should be capitalized to sustain local communities.

Rural Education: Vermont is one of the most rural states in the nation, second only to Maine, based on percentage of residents living in rural areas. Unsurprisingly, Vermont’s educational system is also rural: over 70% of schools in the state are located in rural communities.¹⁴ The high number of rural schools has significant implications for the state, as rural schools play critical roles in the economic, political, and social stability of their communities.¹⁵ Rural communities that close their local schools are more likely to experience outmigration of young families; which has devastating implications for Vermont’s declining population.¹⁶

Small Schools: Typical of predominantly rural states, nearly 1/3 of Vermont’s schools

are identified as small. As previously noted, a major challenge to small schools is their diseconomies of scale¹⁷: small schools are far more expensive per pupil than larger schools. However, most small schools in Vermont are also rural schools; thus school costs are offset by the economic and cultural capital provided to their communities.¹⁸ Research shows small schools are also more likely to eliminate poverty-based achievement gaps.¹⁹ This is evident in small, rural community schools, such as Montgomery and Dover, which consistently demonstrate high student outcomes regardless of students' background.

PROPOSED REFORMS

Consolidation: Last winter, responding to statewide frustration over financial and educational challenges discussed above, Vermont's House proposed mandatory district consolidation under the legislation H. 883. The legislation H. 883 was a direct response to rising concerns over the cost of education and perceived educational inequities. Although H. 883 generated support from educational and political groups around the state, it raised significant controversy, and ultimately failed to pass before the legislature adjourned.

Despite its failure during the 2014 legislative session, district consolidation remains a popular policy recommendation. Campaign For Vermont proposes reorganizing the state's supervisory unions into 17 Regional Educational Administrative Districts, asserting this move will increase efficiencies, lower costs, and preserve local control.²⁰ Other legislators have expressed support for consolidation as a means to improve educational innovation while reducing statewide expenses.

Small Schools Grants: A second proposed reform calls for the elimination or reduction of the Small Schools Grant. The reform has emerged periodically over the past several years as members of the legislature question the long-term fiscal viability of small schools. December 2014, the Education Finance Working Group recommended reducing the Small Schools Grant so that it would only apply to geographically isolated schools.²¹

ANALYSIS OF PROPOSED REFORMS

What Does the Research Say? In the United States, district and school consolidation has been implemented as an educational and fiscal reform for over a century. A large body of research on the outcomes of consolidation therefore enables us to analyze the likely outcomes in Vermont. In this section of our brief, we review data on the financial and educational outcomes of consolidation, and conclude with a contemporary case study of district reorganization in Maine.

Financial Outcomes of Consolidation: Many economic studies have shown consolidation may create economies of scale and cost savings.²² However, these studies are theoretical; actual analysis finds consolidation does not decrease expenditures for the majority of school districts.²³ These studies show unanticipated costs associated with consolidation offset potential savings, and in some instances raise educational costs.²⁴ Leveling up and transition costs are unanticipated expenses, which lead to these mixed and often negative results. Leveling up costs occur when pay levels in centralizing districts are raised to the highest negotiated pay scale within a contract pool. For example, teacher salaries may be renegotiated during consolidation, bringing salaries in lower-wage schools up to the highest level within a district. Leveling

Over a century of research strongly suggests consolidation will not resolve Vermont's

up is a common source of increased expenditures in consolidated districts.²⁵

Transition costs also offsets potential savings, often through drastic and unanticipated measures. During consolidation, transition costs are created by negotiating contracts, restructuring facilities, paying legal fees, and disseminating information.²⁶ Transition costs may continue for years after consolidation.²⁷ Financial benefits are the driving argument behind consolidation, yet research does not substantiate this claim.

In Vermont, initial research conducted on voluntarily consolidated REDs also found expected savings did not occur. The studies of Mountain Towns Red and Bennington Rutland SU consolidations found anticipated savings were offset by unanticipated transition and leveling up costs.²⁸ The outcomes were so disappointing that a Two Rivers Supervisory Union Transition Board member said, “if the board had been presented with more accurate numbers during the planning phase last year, a different decision may have been made with regard to the merger.”²⁹ Thus both national and local research clearly shows consolidation does not produce financial savings or lower per pupil costs.

Educational Outcomes of Consolidation:

Research on the impact of district consolidation on student opportunities and outcomes has been mixed. Student achievement is lower on average in larger districts, and research shows student scores decline in consolidated districts.³⁰ Low-income and minority students are particularly sensitive to larger districts and schools, which can worsen achievement gaps.³¹ In a large-scale literature review, Howley et al.³² found that smaller schools and districts are most likely to improve student achievement for low-income and minority students. Benefits of district consolidation include greater range and diversity in course offerings and increased educational innovation.³³ Yet these transitions have unexpected costs, including greater teacher dissatisfaction, more reported student discipline problems, and increased staff attrition.³⁴ In short, the potential gains offered by district consolidation are offset by the negatives.

To conclude, over a century of research strongly suggests consolidation will not resolve Vermont’s educational or economic challenges.

Maine District Reorganization: Implications for Vermont

Research on consolidation often strikingly contradicts claims made by proponents. Nonetheless, it can be difficult to interpret how the research applies in practice to a predominantly rural, locally-controlled state like Vermont. To illustrate the likely outcomes in Vermont, we provide a case study from Maine, also a rural, locally-controlled New England state.

In 1997, Maine passed the District Reorganization Law. The rationale was strikingly similar to that of H. 883: Maine wanted to improve educational opportunities and equity while minimizing educational costs. The plan proposed reducing 290 school districts to 80 regionalized districts.³⁵ After instituting a series of exemptions, the number of districts decreased to 164 by 2012.³⁶

University of Maine faculty conducted a large-scale, multi-year study of district organization.³⁷ The authors found widespread community resistance to consolidation, which delayed implementation as towns struggled to resolve long-standing disputes within reorganized districts (i.e. leveling up). Education costs did not decrease in many districts; and complicated regional budgets made it difficult to communicate any cost savings. Student achievement showed minimal change. Finally, community resistance amplified as projected benefits failed to materialize.³⁸ Presently, over 42% of Maine's reorganized districts are in the process of reversing consolidation.

Maine's experience with consolidation offers an important illustration of the potential challenges of mandatory redistricting. While Vermont differs from Maine, particularly regarding current political trends, the contentious and unproductive outcomes of Maine's consolidation plan should give Vermont pause.

VERMONT EDUCATIONAL REFORM: A Balanced Approach to Equity & Funding

We crafted a locally controlled, fiscally responsible, educationally sound reform plan for Vermont. The proposed reform has two components that reduce costs while strengthening local schools and communities.

REFORMING ACT 60/68 FUNDING STRUCTURE

1. Establish parameters for school budget items funded through the education fund.
2. Lower the excess spending threshold, while also implementing size-based exemptions to ensure equity regardless of school size.

REFORMING THE SMALL SCHOOLS GRANTS

1. Restructure the Small Schools Grant to a competitive application process that incentivizes school partnerships with families, communities, and businesses.
2. Increase funding for the restructured Small Schools Grant as a means to promote economic development and academic innovation in rural communities.

REFORM ACT 60/68 FUNDING STRUCTURES

One of Vermont's most contentious issues is rising property tax rates. It is therefore critical that Act 60/68 is revised to reduce costs for property owners and local communities. This component contains 2 elements: establishing education fund parameters and revising the excess spending threshold in block grants.

The Education Fund: Vermont collects local property taxes for school budgets in the Education Fund. The Fund includes

categorical grants: funding for special education, transportation, and other specific costs; and educational spending: funding for everything from health insurance to sports equipment.³⁹ The funds are redistributed to school districts per equalized pupil (PEP). Tax collection for the Education Fund has generated ongoing conflict between sending and receiving towns, particularly the lack of parameters on what elements of school budgets should be covered (e.g., athletic equipment, specialist teachers, facility improvements).⁴⁰

We propose establishing school budget parameters for the Education Fund. Using a statewide task force, Vermont would collectively determine essential school budget items. Line items not included in the new parameters would not be covered by the Education Fund, but could be paid for at the local level. Delineating essential school budget items decreases statewide education costs, and increases transparency of education funding. Furthermore, it encourages greater local participation in school budgets, as districts must negotiate extra expenditures not covered by the Fund.

The Excess Spending Threshold: Some Vermont communities choose to spend more than the PEP rate. This is called “excess spending.” To ensure a relatively equal distribution of spending, the state imposes an excess spending threshold tax. Communities who spend above the threshold pay increased taxes. Per legislative action, the excess spending threshold will decrease from 125% of PEP spending to 121% by 2017.

We support lowering the excess spending threshold, as it encourages fiscal conservatism statewide. However, it is necessary to include an exemption for small schools. Vermont’s small schools play a critical economic role in their communities, yet they are undermined by diseconomies of scale and have higher per pupil costs.⁴¹ Lowering the threshold therefore places greater burden on small, rural towns, perpetuating the inequities that Act 60/68 was designed to prevent. Therefore any reduction in the excess spending threshold must include small school exemptions to minimize size-based inequities.

Act 60/68 was designed to reduce school funding inequities while preserving local control. Our proposal sets parameters on

education funding and introduces size-based exemptions for the excess spending threshold. These two reforms will reduce education costs, increase transparency, and maintain local participation in school budgets while stabilizing Vermont’s community schools.

REFORMING THE SMALL SCHOOLS GRANTS

The Small Schools Grant currently provides funding for all small schools and schools with significant decreases in student populations. The Grant protects small, mostly rural schools from funding inequities that would otherwise persist under Act 60/68. We believe Vermont’s small, rural schools are an asset, not a problem, as research shows rural schools play a central role in sustaining their communities through social and economic development.⁴² Rural communities with schools are more likely to have higher housing values, more professional workers, higher numbers of college graduates, and greater civic involvement than those without schools.⁴³ We therefore propose revising the Small Schools Grant to leverage the strength of these small schools to sustain and promote local communities through population growth, economic development, and cultural capital.

We propose restructuring the Small Schools Grant in three phases:

1. Restructure the Small Schools Grant and increase its funding.
2. Develop a competitive application process that promotes family, community and business/technology capacity building.
3. Implement a tiered funding system that leverages partnerships to expand economic expansion, workforce development, and academic innovation in local communities.

Phase 1: Monetary funds will be reinvested into the Small Schools Grant, and a restructuring working group will be established. Capital accrued from restructuring Act 60/68 will supply necessary fiscal support for redesign and reinvestment. A fraction of these monetary funds will be utilized to establish a grant-restructuring working group. The working group will develop the application process in Phase 2, and the funding formula in Phase 3 of this plan. The state will invest remaining funds into the Small Schools Grants. This will provide additional funding to the previously identified small schools, immediately reducing per pupil spending, and providing tax relief for communities. Phase 1 will reduce size-based inequities embedded in the current system.

Table 1: Small School Capacity Building

Partnerships	Outcomes
School-Family ⁴⁴	<ul style="list-style-type: none"> • Retain current families • Recruit new families • Strengthen educational supports for students
School-Community ⁴⁵	<ul style="list-style-type: none"> • Strengthen cultural capital in school and community • Increase community participation in school • Increase community awareness of school decisions and funding
School-Business or School-Technology ⁴⁶	<ul style="list-style-type: none"> • Strengthen workforce development and economic capital in school and community • Recruit new businesses • Prepare students for post-secondary training

Phase 2: Schools are transitioned from the current Small Schools Grants to a competitive funding system that incentivizes school partnerships. The overarching goal is to strengthen small schools' ties with their encompassing communities, ensuring mutually beneficial relationships. In Phase 2, small schools must demonstrate steps

towards building capacity through tiered partnerships in order to receive full funding (see Table 1). Examples of these partnerships could include local residents teaching lessons to students in their area of expertise, students completing community-service based lessons to meet a local need, internships with local businesses, etc. These capacity-building partnerships are the basis of the application because research shows they support rural schools and their communities while improving educational outcomes. Furthermore, financial investment in the schools will benefit the local community through the collaborative partnerships (e.g., using school computers, students help develop websites for local non-profits and businesses). Rural education consultants, provided by the state, will work with schools to identify and develop capacity building, and will support the grant application process. Small schools that choose not to participate will not be eligible for funding. Initial funding will be equal, not tiered, as schools establish capacity-building partnerships. This process will support small schools reform and innovation, enhance taxpayer support, and improve the education of Vermont's students.

Phase 3: The Small Schools Grant will transition to a tiered funding system based on the development of schools' partnerships. Schools that demonstrate highly-developed partnerships will be awarded more funds than those that do not. Funding is renewable each year; in order to qualify for specific tiers of funding, schools must demonstrate evidence of community-focused practices. This mechanism keeps total funding of the Grant relatively stable. Even if schools do not receive maximum funding, the school-community ties developed through the process will both strengthen student outcomes and support local community sustainability.⁴⁷ As

taxes are reduced and education quality improves, families in and outside of the state may be enticed to move to these communities, curbing declining enrollment and potential diseconomies of scale.⁴⁸

CONCLUSION

Vermont faces a critical juncture in educational reform. Educational costs are rising while populations are decreasing, and Vermont's schools, among the best in the nation, have persistent achievement gaps.^{xlix} A century of research strongly suggests neither district consolidation nor the elimination of the Small Schools Grant will produce needed reforms. In sum, a balanced and capacity-building strategy, rather than consolidation, offers the greatest potential to accomplish necessary economic and educational reforms. Our plan honors local control, fiscal responsibility, and effective educational improvement. Now is the time to invest in the futuristic needs of students and rural communities. Our plan proposes a path forward, where public education makes living and working in rural communities a sustainable choice in Vermont.

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Authors' Note

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