

**HOUSE GOVERNMENT OPERATIONS
RETIRED TEACHER HEALTH BENEFITS**

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I am speaking on behalf of the Vermont School Boards Association that represents most school boards in the state, and want to make four points about the proposal.

1. There is clearly a problem that needs to be solved. We applaud the Treasurer for taking the leadership on tackling this issue and not allowing it to remain a problem, undermining the overall financial health of the retirement system and the State. We agree that the problem should be addressed.
2. The problem will ultimately be solved through efforts made by the potential recipients and by the taxpayers of Vermont. We certainly see no magical solution. The question is who will pay what.
3. One of the proposals relates to federal grants. It is my understanding that total federal grants are in the neighborhood of \$34M and this proposal is to use some \$3M from that pool to this end. I do not have all of the details on how much money, in which category, and what the specific impact will be on individual schools. We also do not know the specific rules around various grants programs to understand any barriers to achieving this objective.

However, there is sound public policy logic to charging some of these retiree health care costs to federal grants. For years, this should have been the protocol. Whenever a federal grant will result in the hiring of someone who is potentially a recipient of these benefits, dollars should be required to be allocated for this purpose. We should not build up our liability through federal grants, only to have Vermont taxpayers holding the bag.

This change is not without substantial pain. Federal grants often fund services for higher needs students. If those grant dollars are not available to school boards to fund those services, they will have three choices-- either cut those programs as a result of having less federal money, try to absorb the lost dollars into the district budget through other strategic cuts, or continue those programs with the potential that they will push up "education spending". I expect the actual impact will be some combination of all three.

4. We do not support an additional fee related to the hiring of new teachers and principals.

We understand that at the heart of your proposal is a desire to share the cost of this obligation between the education fund and the general fund. We may not like that, but that is a tax policy choice that the state can make. It is an obligation that must be covered and the dollars need to come from somewhere.

Our strong objection is pushing the education fund portion into **local budgets**--for the following reasons:

School boards never chose to give this benefit. That decision was made at a state level long ago. The problem should be solved at a state level if the benefit is going to be continued-- (or boards should be given the choice of whether or not to offer the benefit). Should this new obligation be part of the plan, it is clearly an unfunded mandate.

School boards are under intense pressure to reduce budgets. The recent action of the House will only increase that pressure with the “anchoring” of the excess spending cap. When we testified on H889, we said, the state can’t anchor the spending cap and then keep adding new obligations to local boards, and then blame local boards for increases that push up property taxes. Be aware that this new obligation would hit in the same year as responsibility for dual enrollment funding. This particular proposal would be a new obligation for local boards and we cannot support it.

There are significant logistical issues around paying this fee for some teachers and not others. A newly hired teacher would carry this extra fee with them for the remainder of his/her career. Others will not.

This part of the approach should be seen as a bridge to universal health care coverage, not as a permanent “hit” on property taxes. It would be best for any assignment to the education fund to be taken off the top of the fund, with the intention to remove that responsibility at a future time.

Clearly, this is a challenging problem to solve, but given the consequences of not acting, we applaud the Treasurer and the General Assembly for taking it on.