To: The House Education Committee
From: Nicole Mace, Executive Director- VSBA; Jeffrey Francis, Executive Director- VSA
Re: The Allowable Growth Provision of Act 46
Date: November 18, 2015

School district officials are leading important and challenging conversations in communities across Vermont about how to adjust governing and operating structures to ensure greater equity, quality, and cost-effectiveness.

These officials are now expected to launch an equally challenging, but less purposeful, conversation as part of their budget development process so that they can respond to the "allowable growth percentage" provisions of Act 46. Our Associations believe that the allowable growth percentage is flawed public policy, the application of which will create instability that could jeopardize local efforts to implement the governance provisions of the Act.

Both the Vermont School Boards Association (VSBA) and the trustees of the Vermont Superintendents Association (VSA) have passed the following resolution calling for the repeal of the allowable growth rate: **The General Assembly should repeal the "allowable growth" provision of Act 46 and replace it with a system or formula that more equitably controls costs and creates efficiencies, while preserving educational quality.**

The allowable growth threshold was designed to respond to very real and legitimate concerns about rising school costs and associated property tax rates. We recognize that the General Assembly modeled many different approaches to cost containment before it settled on the current provision in the final days of the session. However, the effects of the application of this provision were not analyzed or well-understood at the time.

We now know more about those effects and fear that the mechanism designed to provide immediate taxpayer relief could result in the perverse outcome of tax *increases* in many communities. Furthermore, this provision could worsen, rather than improve the state's growing challenges around equity, quality and cost-effectiveness.

First, we know that **59% of the allowable growth target statewide will be consumed by new health care costs.** For FY 2017 the statewide 2% overall growth target is about $24.6 million. Health care premium increases have been set at 7.9% for FY 2017, equal to $14.5 million.

Collective bargaining agreements are in place through FY 2018 in over 55 districts/SUs. Those districts have little ability to respond to the allowable growth provision if they agreed to salary and health insurance increases that exceed their district's allowable growth threshold amount.

Second, we know that **in districts that are bound by law to pay tuition at the secondary level to public or independent schools, the only place boards have to go to cut is the elementary school district budget.** This is not a new dynamic but it is one that is exacerbated in the current environment; school board members are extremely concerned about what the impact of these cuts will mean for quality in those elementary schools.

Third, we know that **in many districts there is not much room to move without implementing cuts that will damage quality.** For several years, many school boards have presented very lean budgets to their communities and have made difficult decisions in order to do so. Absent the ability to share staff and other resources under the type of unified governance structure contemplated by Act 46, many districts with a low growth rate are faced with few choices other than to exceed the threshold or impair quality.

Getting a handle on student-staff ratios is an important obligation among school officials that is difficult to accomplish in the absence of scale. Ultimately, right-sizing staffing levels must be evaluated in the context of a district's responsibility to ensure equity, quality and cost-effectiveness. Given the interest on the part of school districts to move toward unified governance systems, the better public policy approach would be to give those districts time to complete that work so that they can address staffing levels and other cost centers in a more responsible manner.

Fourth, we know that **absent economies of scale, a dollar available in one district does not have the same purchasing power as a dollar in another district**. This calls into question the fairness of a mechanism that applies an allowable growth percentage based on education spending per pupil, especially at a time when the mission of public education is expanding through initiatives like universal access to pre-k education and personalized learning.

Finally, we believe that sometimes **voters respond differently to budget proposals depending on socio-economic and other demographic factors**, as well as the voting systems employed in those communities. We have concerns that the allowable growth provision will exacerbate inequities in the resources available to students based on historic voting patterns in different communities.

Act 46 advances the goals of equity, quality and sustainability. The application of the allowable growth percentage is in conflict with those goals. On behalf of school boards and administrators across Vermont, we urge the House Education Committee and legislative leaders to take immediate action to address these concerns.