



Education Reform Testimony

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February 23, 2015*

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.

The Vermont Chamber of Commerce will support an education reform bill that does the following:

1. Addresses the rising costs of education, not only the governance and revenue structures. We view this issue as having three distinct but interrelated prongs: funding, governance and spending. To date, there has been a lot of focus on funding and governance structures, but the spending side has yet to be given equal weight;
2. Does not increase the reliance of funding education on the income tax; and
3. Funds a system that addresses the talent acquisition needs of Vermont employer's.

Spending and the Rising Cost of Education

With regard to reducing or placing downward pressure on spending, the Vermont Chamber of Commerce is encouraged by some of the elements currently in the House Education Committee's draft bills and/or discussed by the Committee for consideration including:

- Placing a moratorium on legislation that increases the education property tax rate or increases costs for school districts or supervisory unions through 2016. The Vermont Chamber advocated for a moratorium on unfunded mandates when the Speaker requested education finance reform proposals;
- Phasing out phantom students and an examination of the use of small school grants. These provisions are specific vehicles that contribute to cost-containment;
- An examination of potential cost-savings through consolidation of school districts, recognizing that cost-savings from larger school districts could take three plus years to be realized. This is also a concept that the Vermont Chamber advocated for when the Speaker requested education finance reform proposals in December. While examining the cost-savings from consolidation, financial data outlining what and where these savings will be should be produced for consideration. The information the Vermont Association of School Business Officials presented was helpful, but it may not translate into the current bills the House Education Committee is considering.
- Exploring efforts to redefine student equity in terms of programs rather than dollar amounts; and

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- Increasing transparency in the education finance system. The dynamics of the yield proposal are generally good and carry the potential to place downward pressure on spending. However, the Vermont Chamber of Commerce would also like to see more definitive cost-containment measures and a stronger guarantee that property taxes will go down.

It is important for Vermont schools to spend less *and* spend better, so the Vermont Chamber of Commerce would recommend having the Joint Fiscal Office go through the Committee's bill and outline financial estimates how each section could reduce school spending. We share the goal of bending the cost-curve and businesses want to know that it is going to happen through legislation this year. If the Joint Fiscal Office cannot produce a fiscal note due to the uncertainties of how school districts will proceed once a bill is passed, the Vermont Chamber of Commerce would recommend introducing cost-saving goals and benchmarks so there is a clear path forward.

Do Not Increase Funding Reliance on the Income Tax

Some of the recommendations that have been introduced in the Statehouse include shifting education funding to the income tax. Vermont is among the top five states in revenue volatility for the period of 1994-2012, according to a report by The Pew Charitable Trusts titled "Building State Rainy Day Funds." The report specifically cites that Vermont's revenue volatility can be tied to its reliance on the personal income tax, which is subject to fluctuation.

Personal income tax revenue has now underperformed every month since April 2014 according to State revenue forecasts. It would be unwise to tie education funding to such a volatile tax. The legislature must address the spending side of education, not only which pocket we pay out of.

Two weeks ago the Committee briefly spoke about getting rid of the bifurcated tax rate in favor of creating one tax rate for everyone. If the Committee pursues this, the Vermont Chamber of Commerce would like to come back in and testify on this topic specifically.

Workforce Training and Development

A topic that continues to come up when discussing education reform is measuring outcomes for our students. This accountability is crucially important the Vermont Chamber would like to see:

- Better alignment of elements of education and workforce development programs with national standards and business-specific skills to better prepare students for the workforce. We commend the Secretary of Education, Rebecca Holcombe, for her efforts identifying growing economic clusters in Vermont, and studying how we can better prepare our students to enter these economic sectors; and
- A greater emphasis on science, technology, engineering and math in our pre-K – 16 education system.

In conclusion, thank you for taking up this important issue and allowing input from the business community. Our members are engaged with the Committee's work and our focus is on an affordable education system that conforms to the State's revenue growth, is adaptable to the changing population and economic needs, and thus creates talent for our employers.

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