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Good Morning.

By way of introductions and to give you some insight into whom I am and the experience I bring to the topic of cost containment in Vermont's PreK – 12 educational system, let me tell you a little about myself.

I am Rick Pembroke, currently the Chief Financial Officer for the Southwest Vermont Supervisory Union (SVSU); serving the communities of Bennington, North Bennington, Pownal, Shaftsbury and Woodford and their over 2,900 students.

From July of 2011 through June of 2014, I also served as the Business Manager for the Battenkill Valley Supervisor Union (BVSU) serving the communities of Arlington and Sandgate and their just over 400 students.

Since 2005, I have been an active member of the Vermont Association of School Business Officials (VASBO) and currently serve as President.

Prior to being employed by the SVSU in 2005, I spent the previous 21 years in the financial industry within this same community. The majority of my time was spent in community banking serving as both a residential and commercial lender.

I served 4 years on the Mount Anthony Union School District #14 (MAU) Board of Directors, 3 years as Chair. In the past, I also served on the Southwest Vermont Regional Technical School Board for 5 years.

In addition to my testimony, my counterparts Bob Mason and Grant Geisler (VASBO's two most immediate past presidents) will also provide testimony. I am also submitting as testimony a letter to Speaker Smith from another counterpart of ours, Peter Amons, CFO of Rutland City School District.

I think it is important for you to understand where we all come from on this topic. We are in leadership positions within our school systems and see and understand that if you enact the recommendations we are making, some of us and clearly some of our counterparts across the state may lose jobs. Given this and the reality that some board members we work for do not want to hear what we will be testifying to, we find many of our counterparts are uncomfortable taking a

public position.

As president of VASBO, I can state that the position paper we produced in 2010 is still supported by VASBO today. As submitted, we feel strongly that even though time has passed, the facts are correct and still relevant today. In addition to VASBO's position paper, I am resubmitting the Governance Study completed by the SVSU in 2006. This study was the basis for two of the cases within VASBO's position paper. Again, I recognize the position paper is dated. The numbers are now different yet the underlying assumptions are still valid and I am confident the numbers have only grown and thus the potential savings has therefore, also grown. Finally, the SVSU Study is validated by the Bennington School District, Inc. and the Mount Anthony Union School District #14 enacting Scenario E which did in fact save over \$2M as forecasted in the said study.

VASBO is in support of H883 which came out of last year's legislative session and the organization urges you to resubmit the legislation again this year in substantially similar form.

As for my experience as the senior business official for the SVSU, please understand that I am testifying today on my experiences and insight into the financial management of the districts I work for. I am not speaking on behalf of, nor representing, these districts, any of their board members or my superintendent.

The SVSU and its member districts have been on the voluntary consolidation/cost sharing process since the early '90's. To name a few:

- We have unified collective bargaining agreements.
- We have joint purchasing contracts.
- We have consolidated our Food Service operation at the SU level which has resulted in eliminating a combined deficit of approximately \$35,000.00 and generated a surplus of \$90,158.04 in FY14.
- We have consolidated most of our districts into a single student transportation contract with a collective savings of over \$70,000.00.

There are additional savings to be had that are met with resistance. The main reason for the lack of progress is board members not wanting to give up their perceived local control regardless of the savings. Facility Maintenance is a glaring example with two points of interest. One, within the SVSU, we employ similar skilled people in each district when one or two highly qualified people could easily manage the 10 buildings within the SU. Two, it is wasteful to see two separate districts within the SU purchase the same piece of equipment in the same year for their individual districts to use two or three times per week. In my opinion, clearly one purchase with shared coordinated use would be optimal.

It is clear to me that if the SVSU was a single PreK – 12 district there would be savings. In the finance department alone there would be savings in both time and manpower. The current governance structure requires the department to account for the same dollar sometimes two and three times. We manage the books for six different multimillion dollar businesses and one half million dollar business. The redundancy of filing seven different versions of many state and

federal reports as well as balancing all of the different bank accounts with money flowing back and forth between districts and accounts is a very redundant process.

Although we are one of the larger SU's in the state that will see some savings, the majority of the savings will come from the elimination of some of the smaller SUs and districts in the state. Not only will you see savings, there will be less opportunity for financial fraud and abuse. I am concerned that some of the small districts cannot afford the staff necessary to properly segregate duties and establish proper internal controls. When one or two individuals are performing all the finance functions an environment for fraud exists.

In the area of Education funding, I for one am pleased with ACTS 60 & 68 for the most part. I urge you to let it do its job. By manipulating the base rates the legislature is not allowing the cost containments in the system to work properly.

I would also recommend four simple changes:

1. Eliminate the Small Schools Grant. Paying for inefficient schools and then complaining about escalating cost is disingenuous at best. It is an incentive to be inefficient and not consider voluntary mergers.
2. Eliminate all the exceptions to the Excess Spending Threshold. By doing so, will strengthen the formulas most powerful cost containment component.
3. Seriously revisit the Income Sensitivity Formula. Does someone earning over \$90,000 really need assistance in paying their property taxes? If they do, we as a state, have a more fundamental problem than education funding.
4. Eliminate the Hold Harmless Protection of declining Equalized Pupils, i.e. Phantom Students. By doing so, will allow the formula to strengthen one of its cost containment components.

In closing, I want to thank you all for your time and inform you that VASBO wants to continue to be a part of this conversation. We want to be a resource and help you understand the business side of public education in Vermont. Please call on us if we can be of any assistance as you navigate through the session.

We are all happy to answer any questions to the best of our abilities.

Respectfully submitted:

*Richard C Pembroke, Jr*