

# Vermont-NEA

## Education Finance and System Reform

January, 2015

### Introduction

Vermonters invest in our children, and public education is perhaps the most important way in which we do so. The public money that goes directly to their education is supplemented by investments in social, nutritional, and health services needed to help them be ready for learning. The costs of those services were not part of education spending when most of us adults attended school. Since Vermont attends to those needs more and more wisely than most other states do; since we now use the Education Fund to pay for many of those needs; since Vermont is in the most expensive corner of the United States; since our school-aged population has been declining for an extended period; and since we use public dollars to support private schools, it is not surprising that Vermont's per pupil costs are comparatively high when compared to the national average.

Amid calls to “do something” about what we invest in our local public schools, we need to be sure that we put the needs of children first:

- What is the appropriate amount to spend on our children’s education?
- What is the appropriate way to fund public education?
- Are we spending that investment in ways that contribute to our children's development and well-being?

The more than 10,000 Vermont-NEA members who work in 300 local public schools have more direct contact with Vermont’s children than anyone except parents. Every day, they teach, nurture, support, guide, and push Vermont’s students. Their expertise – and the collective wisdom of more than 1,500 retired educators who still belong to Vermont-NEA – shapes the recommendations we make on the following pages. In brief:

- Investing in our children’s education is our most important responsibility;
- We should refine how we raise money for public education; and
- We should identify and commit to improving the public’s investment in our local public schools to benefit Vermont’s children.

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## Some events leading to the 2015 Session

**The 2014 election and health care reform.** While the still nascent biennium has yet to get fully underway, it is clear that many lawmakers and other observers believe that, in the 2014 election, Vermonters told "the state" to "do something" about education spending. The demise - at least dormancy - of a publicly financed health care system robs us all of an opportunity to leverage systemic health insurance savings to shave up to 10 cents from the statewide property tax rate (as we demonstrated in our proposal last fall). Discussions about education funding and spending again dotted the pre-session landscape.

**The "Green Mountain Imperative"** brought together nearly 200 people from across Vermont. Notably, practicing educators and their representatives were not invited to help develop this gathering. While the results so far appear to be merely a compilation of thoughts and suggestions, there were references to continuing to improve - rather than merely to cut the funding for - our public education system.

More significantly, the **Education Finance Working Group** convened by the Speaker did produce recommendations. The final report of this group contains multiple recommendations, which the group itself acknowledges are not all consistent with one another and not necessarily the result of group consensus. With those caveats, however, they provide an obvious platform for serious legislative consideration, and they merit serious consideration here in return.

## **Some numbers being used in the public education debate**

*[Some numbers used in the public education debate are taken as fact, and that can lead to a distorted view of our local public schools. Here, we challenge several of them.]*

**There is no "optimal" class size.** Some leaders have been asserting, and it is being repeated now by others, that 15 students is "the optimal class size." There is NO support in any research or experience for such a sweeping conclusion. None. That number shows up once in a while in advocacy efforts to *reduce* general class size in other states, and there is a widely cited 1980s study in Tennessee concluding that students, particularly in early elementary grades, benefit from being in classes no larger than 15.

Here is what our national organization says about class size – we recommend its adoption:

Class size maximums must be based on the type of students, grade level, subject area content, and physical facilities. The Association also believes in optimal class sizes in regular programs and a proportionately lower number in programs for students with exceptional needs. Weighted class size formulas should be implemented to reflect the inclusion of exceptional students. The Association further believes in establishing workload maximums for all curricular areas, not to exceed the recommendations of their respective national organizations. The Association believes that state departments of education should, on a yearly basis, collect and report class size data that reflect the class size experienced by most students.

**There is no known "too small."** It has been asserted as fact that student achievement can be impaired by "too small" class size or "too small" school size. Before we create a Vermont "small is worse" bandwagon, we should acknowledge both the limits of academic research and the impractical nature of its applicability to the real world or, in this case, the real Vermont. In particular, and in general, small schools and small classes, including quite small classes, permit individualized instruction and attention. That, second only to student socioeconomic status, is the dominant factor affecting individual student performance, particularly of lower income students, and student performance extends well beyond test performance. School size is an obvious issue for us all to address, but there is no consensus research conclusion that small is at all "bad," and what research there is about it at least acknowledges differences between upper and lower grades. No research leads to a conclusion that we should phase out our small community schools because they are somehow damaging our children.

**The size of the education workforce is actually declining.** It is always asserted that we have "the same" number of school employees as we did in 2003 when Act 68 was passed, despite the annual decline in student enrollment. Act 60 enabled lower wealth communities to level up to their neighbors, and that had the desired effect of increases in school staffing. The state retirement office reports, though, that since 2009, when the number of teachers and administrators peaked, their numbers have declined by more than 800. At our suggestion, the AOE is working with that office to try to resolve the significant differences between their data.

**School spending has been, and remains, economically sustainable.** It is generally asserted by those favoring curtailing spending, whether on schools, roads, health care, corrections, whatever, that present spending patterns, if continued, are "unsustainable." As well documented by the Public Assets Institute, Vermonters spend – and have been spending – on educating our children virtually the same portion of Vermont's gross state product as they did a quarter century ago, a bit below 6%. By contrast, we are all spending far more for health care than a quarter century ago: we spent about 10% of gross state product then and spend about 19% now. Plainly, sustainability is in the eye of the beholder.

**Declining enrollment is not unique to Vermont.** Vermont is in the throes of the very challenging double effect of national migration patterns, from Northeast to South and West and from rural to urban. Our schools are not the cause of the decline in enrollment; larger forces are. We believe all of us in Vermont should be pulling, with much greater strength and unity, in the direction of making our rural, if still "Northeastern," communities the inviting places to raise families we who live here know them to be. Vibrant, local, locally run public schools are vital to that end.

**Student achievement doesn't just happen.** By almost any measure, Vermont's students achieve at levels higher than almost all of their peers nationwide. The data about graduation rates, test scores, safety, good health and general good mood are longstanding and consistently point to a system on the right track. In fact, our favorite statistic, according to the OECD, is that if Vermont schools were stacked against all those internationally, they rank 7th in the world, right in the mix of countries that place higher value and spend larger percentages of gross domestic product on schooling. Our members are committed to improvements that will help students perform even better.

**Reducing General Fund contributions to education has increased property taxes.** As the Public Assets Institute demonstrates so convincingly, the single largest factor in our increasing reliance on property taxes is the series of state decisions to decrease the General Fund's share (along with that of other taxes) of education spending. As a result, property taxes now constitute at least 67% of the whole, rather than 61% ten short years ago. Property taxes would be about \$100 million less (about 10 cents on the statewide property tax rate) than they are if the General Fund share of education funding had remained at 61%.

**Vermonters typically approve 90 percent or more of their local school budgets.** Some have said FY 2015's 35 school budget defeats last March indicate a "crisis." Close to 90% of school budgets passed as their boards initially presented them. At least one budget initially defeated was actually increased when finally adopted. More importantly, every year some communities defeat some boards' recommended budgets. The range has been from 3 or 4 to more than 50 during this young century. In only a handful of other states are school budgets subject to voter approval. Some – we are among them – conclude that our system of adopting school budgets is functioning well and that it serves as a democratic check on "overspending."

## What we believe (before providing present recommendations):

Vermont has, and its children deserve, an education that is **the envy of the world**.

- We should provide all children access to programs, curricula, activities and resources so they can become the adults they want to be. We want all children to have a basic foundation of knowledge and skills so they can be happy, productive citizens.
- Vermont should continue to be the national "lighthouse" for its dedication to including children with special needs in its general classrooms.
- Vermont's local public schools should have a complement of educators and facilities that keep them responsive to the communities in which their students live.
- Vermont's children should have the individual attention of caring adults in school as well as at home, to help them when life's circumstances make learning more challenging.
- All our systems of public education should function efficiently.

All Vermont children should have **the opportunity to attend school in their own communities**.

- School closures often leave their community less vibrant and inviting, harming both the local economy for those left behind and the state in its efforts to attract young families.
- Transportation for schoolchildren often takes a back seat in discussions of school closures, but in states that have embraced closing schools as a vehicle to saving money, the fiscal, social, and educational costs always end up higher.

- Students, particularly in elementary grades, thrive where teachers and the other adults in the building know them and pay individual attention to them, in an environment that helps them feel integral to their community.

We need to ensure teaching is a **career that continues to attract** smart, capable, ambitious people with a love of teaching at their core.

- The envy of the world is a school system with a team of smart professional educators dedicated to their students and their mission.
- Educator preparation is in need of improvement. Prospective teachers must have significantly longer student teaching experience. High quality professional development must, at long last, supplant dreaded "in-service" sessions.
- Supporting our classroom teachers and paraeducators should extend to useful, helpful evaluation systems.
- Public pronouncements about education should not disincline high caliber young people to choose a career in education.

We should all rely more **on the experience of actual educators and their students in our communities** than we do on the series of faceless spreadsheets that typically dominate public policy discussions about education.

We believe "**austerity,**" by whatever name, **invariably degrades community and collective self-respect**. When our roads and bridges, our waterways, our social and emergency services reach a point of disrepair and neglect, Vermont loses its allure as a place in which to live, work, and raise a family. So it is, perhaps more so, with our public schools.

## **A sampling of State acts that have increased property taxes 2006-2015**

2006

- Annual audits for tech centers

2007

- Moratorium on school construction state aid

2008

- Increased school district payment to teen parent education programs

2009

- General Fund transfer to Education Fund frozen for 2 years
- Community High School of Vermont costs taken from Education Fund

2010

- Teacher retirement changes induce long-serving teachers to postpone retirement

2011

- "Permanent" reduction in General Fund transfer to Education Fund (>\$23 million/year)
- Community High School of Vermont funding brought permanently within Education Fund (>\$4 million/year)

2012

- Restrictive regulations regarding use of physical restraint

2013

- Dual enrollment
- Personalize learning plans
- Early college

2014

- Prekindergarten education
- Retired teacher health benefit payment

## **Recommendations**

*All the information in the previous pages contributes to the recommendations we make below.*

### **A. What is the appropriate amount to spend on our children's education?**

The essence of Act 60 was to enable lower wealth communities to level up to their neighbors. It worked, and it contributed, among other things, to increases in overall school staffing. Those increases stopped half a decade ago, and school boards generally are reducing staff sizes in acknowledgement of the ongoing decline in our number of school-aged children. In addition, the state and federal governments have imposed many, many obligations on our local schools without sending along the money to pay for them.

***Recommendation 1.*** *The state should acknowledge that good education is expensive and that Vermont's geography and demography make comparatively high per pupil costs to be expected.*

***Recommendation 2.*** *Be a bit patient. There are several factors operating to moderate school costs without legislation. We should calculate estimated changes in school costs that will occur if the Legislature does nothing. Examples:*

- The decline in student enrollment is resulting now in reducing the size of the school workforce, and that will naturally reduce school costs, and it will continue.
- In 2010, the state enacted teacher retirement provisions that induced 100s of teachers to postpone their retirement until at least July, 2015. As a result, property taxes have been higher than they would have been. It is likely that several 100 more teachers than usual will retire at the end of the current school year. If they are replaced or not, this will result in reduced school costs.
- The Legislature has changed the "excess spending threshold" multiple times, and we are in the midst of phasing in the most recent changes. It makes sense to let those changes become effective (through FY 2017) to see their actual effect before deciding, again, to do something else.
- Local voters really are capable of telling their school boards what level of spending is appropriate.

***Recommendation 3.*** *Be very careful how, if at all, the State should coax or mandate school closures. We believe, whether school governance change is worthy or not, we should refrain from attempting again to mandate school district consolidation, largely because it isn't locally acceptable enough and because "one size does not fit all." As part of larger planning, reducing the number of superintendencies can be appropriate. See also Recommendation 6.*

### **B. What is the appropriate way to fund public education?**

We respond to this question by offering some preliminary thoughts about each component of the Education Finance Working Group's own recommendations.

i. **Renovation Plan.** Our overriding concern is the potential impact on the education of our children. We do not believe most of this segment's components show that concern sufficiently.

**"Excess Spending" Surcharge**

- It is fundamentally inaccurate to describe spending above certain levels always to be "excessive." It is a grating term to educators and, we believe, many school boards.
- As a public policy device, it may be reasonable to establish some threshold, but this proposal is the latest in the incessant drive to decrease the threshold and increase the consequence. The specific underlying policy, particularly regarding education merit, is, as yet, unclear.
- We do not agree "anchoring" is good education or fiscal policy. It almost always leads to later remorse about having done so and requires either hoisting, or at least elevating, the anchor. We recommend allowing some "float."
- This proposal would impose yet another confusing layer on a funding system in the context of public clamor for a more easily understandable one.
- There is no room, as yet, for local special circumstances.
- In any event, we find the proposed consequence excessively harsh.

***Recommendation 4.*** Allow the recently adopted declining "excess spending thresholds" a chance before resorting to yet another variant.

**Hold harmless.** This is a feature of current law that acknowledges differences among communities. What happens if a couple of large families either move in or move out of a "small" district? What happens to the educational opportunities of the students still there if their parents and adults are made subject to the surcharge in circumstances, as here, beyond their or their school district's control?

***Recommendation 5.*** Do not eliminate the hold harmless provision.

**Small schools grant.** We have said for years there likely are schools in the state that should be helped to close. Terminating these grants just because a school is not "geographically isolated," however, fails to acknowledge the legitimate ongoing operation of most small schools or, more importantly, the obligation to ensure their students equal educational opportunities.

***Recommendation 6.*** The state should establish specific, objective criteria through which to determine if a school should close. If it makes that decision, it should move to a phased approach of assistance to that school and its community and children. That phased approach should include a determination regarding when and how the school's "small" grant should be affected.

**Acknowledging poverty.** We approve of measures designed generally to increase resources available to communities with relatively higher incidences of children in poverty. The current 25% factor is wholly inadequate.

**Recommendation 7.** *Increase the weighting accorded "poverty" in our funding system substantially, in order to improve the capacity of schools with higher percentages of students in poverty to ameliorate the achievement gap.*

**RED incentives.** We have no objection to increasing incentives for local decisions that change school governance, so long as doing so acknowledges the interests of school employees and their representatives and the needs of our children. We believe, however, that it is better policy to limit financial payments in these circumstances to the multiple new costs associated with transitions. We do not believe the Agency of Education has anywhere near the resources needed for the work, and the notion of relying on consultants to do it virtually assures the use of widely varying standards.

**Recommendation 8.** *Analyze both (a) what level of incentives actually would induce the desired response and (b) the actual resources needed to provide technical assistance and base decisions accordingly.*

**"No new unfunded mandates."** We believe that mantra is a good one, of course, but it is no different from how almost every legislative session begins. It is a matter, in part, of semantics and ends up simply meaning "no new mandates" at all. The difficulty is the apparent lack of will actually to fund good ideas in education, partly out of the unfortunate rhetoric that the "problem" – in education and other state services – is one of spending (too much) rather than of our having inadequately supported services generally.

**Recommendation 9.** *Rather than use the "no new unfunded mandates" mantra, point out that new ideas quite often have merit that should override the concern about spending. Limit those adopted to ones the state is willing to fund.*

**Hiring, etc., by principals.** We do not object, in the abstract, to changes in who makes hiring and related decisions, but consider (a) principals have so much on their plates, (b) governance structures are in such flux, and (c) many "school" employees now don't work for the school to which they are assigned. In addition, the position of principal is simply not attractive enough as is: it isn't compensated well enough; it isn't characterized by enough job security; and there is rarely enough time for the principal to act as an actual instructional leader.

**Recommendation 10.** *Before conferring more authority and responsibility on principals, conduct a useful analysis about how to recruit and retain good principals and make their jobs more doable.*

**Model contracts.** We do not object to the production of a model "teachers' contract" for use by school boards. We do not believe there is virtually any expertise within AOE to do so. We believe the notion of a statewide contract, or a statewide contract into which districts could opt, is not one the state should spin its wheels considering. There are multiple practical, financial, and labor policy reasons.

**Recommendation 11.** *Call upon the school boards' own association to develop "models."*

## **ii. Variable income tax model**

**"Transparency."** We agree that most voters, most people, including most school board members, do not understand our funding system. That does not make it too difficult to understand or not "transparent" enough. It just isn't well enough understood.

The description of income sensitivity as roundabout and convoluted is accurate. That is, however, how it was designed, given the disinclination in 1997 to adopt a straight income tax approach. Plainly, income sensitivity, by whatever mechanism, can and should be addressed in the same calculation and in the same billing process as property tax bills are, so that voters understand what they are paying towards their community's schools. For many "sensitized" households, it still would be news that their school taxes are less than they have understood.

**Recommendation 12.** *The manner in which school taxes are paid should show the taxpayer the actual full amount paid. If the components are property taxes and income taxes, show the sum or the difference in one presentation.*

**Recommendation 13.** *Most households plan most easily to pay bills monthly. The state should adopt measures to make it easier for taxpayers to pay their school taxes on that basis, including considering payroll deduction, monthly billing, and/or incorporating property tax payments in monthly mortgage payments.*

**Pure income tax locally.** This is an "it depends" notion and it is fundamentally important. Unless the state portion is sufficiently high, this proposal could devolve into a glorified "foundation" approach to state funding, potentially running counter to the state's constitutional obligation.

**Recommendation 14.** *At a minimum, the Legislature should take care not to adopt a pure state payment approach that disadvantages low income communities and their children.*

## **iii. Regional Block Grants**

We think the weaknesses in this approach far outweigh any theorized benefits. School governance would become increasingly complex, the role of locally elected school boards would be sorely diminished, commingling education and general funds (whatever the felt need for lowering school spending) invites almost conscious underfunding, and this approach really cannot actually "encourage classroom innovation."

**Recommendation 15.** *Do not adopt regional block grants.*

## **C. Are we spending that investment in ways that contribute to our children's development?**

Vermont-NEA has well-established objectives that would help improve an already excellent public education system. Several of its components lend themselves to legislation. They include:

**Rigorous standards.** Educators want their students to succeed.

**Recommendation 16.** *The state can help by:*

- *Taking a formal stand against federally imposed, incessant "high-stakes" standardized testing*
- *Providing a formal role for teachers in the adoption of local curricula*
- *Ensuring adequate resources and effective professional development to implement the Common Core and other rigorous standards effectively*
- *Replacing "in-service" with useful professional development activities*

**Recruiting and retaining teachers.** Too many new teachers leave the profession. They leave because of financial needs, insufficient employer support, and the regimentation of so much of their professional time.

**Recommendation 17.** *The state can help by:*

- *Providing student loan forgiveness for new teachers who enter the profession and remain Vermont teachers for more than five years*
- *Requiring a full year of student teaching rather than the standard 12 or 13 weeks now in place*
- *Helping cultivate a culture of curricular innovation*
- *Implementing a 2-year, high caliber mentoring process for new teachers*

**Evaluation.** Educators want effective, fair, predictable assessment of their work.

**Recommendation 18.** *The state can help by:*

- *Fostering high caliber, collaborative approaches to evaluation, conducted by individuals with training and time*
- *Prohibiting oversimplification and overreliance on standardized test scores as a key measure of teacher effectiveness*

**Collaboration with businesses.** Solid school-business collaboration is good for students and the economy.

**Recommendation 19.** *The state can help by:*

- *Supporting model, pilot programs through which businesses support STEM education*
- ***Recognizing and fostering the connection between outstanding local public schools and the economic well-being of Vermont's cities and towns. The most effective economic development tool we have is our public school system, and a sure way to depress local economic development is to diminish the quality of our local public schools.***