

Grant Geisler: Senate Education Committee Testimony – February 5, 2015

Dear Committee Members,

Thank you for the opportunity to provide input regarding education finance and spending.

I am submitting this as a member and previous President of the Vermont Association of School Business Officials (VASBO). While I work as a Business Manager for one of the largest supervisory unions in the state, my opinions do not represent those of my SU or school boards – please be clear on that point.

Many of the ideas related to education finance actually have little to do with reducing costs and more to do with shifting the burden of covering the cost. I believe we need to focus on ideas to reduce costs. Along that train of thought, I suggest a focus on the areas of governance change, enforcement of minimum class sizes, elimination of small schools grants, elimination of equalized pupil hold harmless protection, and a change in health insurance. Some VASBO members may disagree with a few of my opinions, but our organization has definitely taken a position in favor of governance change which is the main focus of my testimony.

**Governance Change:** While governance change has long been considered the ‘third rail,’ and I recognize the cultural challenge, this is the single-most important change that can be made in order to maintain or increase student opportunities and reduce costs. I don’t believe anyone would build an education structure that includes nearly 50 supervisory unions and 270 school districts (each with its own school board) to oversee the education of less than 90,000 students. I believe a dramatically more efficient and effective structure would be made up of single, unified preK-12 school districts which serve at least 1,500 students. It’s also significant to note that Superintendents and Business Managers are strong advocates of governance change on behalf of students and tax payers even though it puts their jobs at risk. The following indented paragraphs identify some of the benefits:

- Opportunity: Students and parents would have more opportunities with additional schools and programs to choose from within a larger district. In addition, cost savings would allow current programming to be retained or possibly increased.
- Efficiency
  - o Staffing:
    - Staff could easily be shared/shifted from school to school based on student needs. For example, a large district could hire a full-time English-Language-Learner (ELL) teacher that could serve multiple schools based on student need. Currently, a district may need to attract/retain a qualified ELL teacher at 0.4 full-time equivalent (FTE) and if needs change it is difficult to effectively react. In a supervisory union (SU) structure, you can try to share staff by shifting employees to the SU or to one district and build shared service reimbursement models. However, these arrangements must be negotiated with bargaining units and between school boards and also leads to administrative burden to track and accomplish reimbursements. Additionally, these types of arrangements make comparisons of SUs and school districts very difficult (can’t compare ‘apples-to-apples’).
    - Central Office staffing can be reduced or restructured. As an example, if larger districts are created, less Business Manager positions would be required. The savings could reduce education spending or could be reinvested into positions that cannot currently be afforded to improve student services or create more efficiency. Some

SUs/districts do not have Facility Managers or Technology Directors. These positions could be created to better care for facilities (cost avoidance) or improve technology infrastructure (improved student opportunity). Districts may also be able to create positions to reduce costs such as Purchasing Officers.

- Bargaining Units: This structure would result in less bargaining units which would greatly reduce the amount of time and legal fees dedicated to negotiations and would lead to more equity among employees.
- Class-sizes: Students/staff could be shifted among schools to create optimal class sizes as measured by the ratio of students to classroom teachers. A minor increase in state-wide class size average would save tens of millions.
- Adding responsibility/shifting costs to SUs: In lieu of mandating governance change which would create more efficient organizations, the Legislature has attempted to force changes within the existing structure to create efficiencies. This strategy often has unintended consequences and can actually create inefficiencies.
  - Reduced transparency of districts' budgets as more costs get lumped into an SU assessment instead of being broken out. This also erodes understanding and the confidence citizens have in school budgets
  - Additional workload regarding accounting entries between the SU and districts.
  - Transportation example: Our SU already negotiates and awards transportation contracts at the SU level. Implementation of the law requiring transportation to be provided at the SU level will not change how we award contracts, but will require us to 'book' the costs at the SU level instead of the district level. This reduces transparency in the district budget and actually creates additional work for us to 'book' the costs at the SU level and charge or assess the districts to cover the costs.
  - If this is the strategy the Legislature continues to take, please do something more effective such as requiring that **all** employees must be SU employees instead of just special education and transportation employees. This would at least place all employees under one bargaining unit for each employee group instead of keeping all of the existing bargaining units in the districts and adding more at the SU level.
- Phantom Students: Combining districts could reduce phantom students created by hold-harmless protection. For example, on its own, one of our districts has hold-harmless protection, but if combined with our other districts it would not.
- Leadership Turnover: Currently, the rate of turnover for Superintendents is alarming. If there were fewer positions and the organizations were more efficient and effective, we could attract and retain the best of the best. Much of the turnover can currently be attributed to frustration resulting from redundant tasks and the inordinate amount of time required serving boards instead of students.
- Board Member Turnover: For the upcoming year, we may have a turnover of 31% of our board members and struggle to find people willing to serve. A RED would result in fewer board members which would improve the probability of attracting and retaining a stronger core of board members.
- Stability of Costs/Tax Rates: Minor changes in requirements (e.g., a high-cost special education student moves into Town) can lead to a dramatic increase in cost and tax rate for a small district. If larger districts were formed, these changes in requirements would be easier to absorb and may be offset by decreased requirements in other areas of the district.
- Comprehension of Budgets/Tax Rates: Citizens could attend one board's meetings to see the entire budget and tax rate calculation. In our SU, citizens need to attend SU meetings, preK-8 district meetings, and grade 9-12 meetings in order to hear about the total budget. Our citizens

also need to understand how to blend the preK-8 and grade 9-12 tax rates. The complexity leads to apathy and disengagement.

- Data:
  - o In order to make data driven decisions, you must have useful data. If structures vary greatly from SU-to-SU or district-to-district, you end up with garbage-in and garbage-out.
  - o In many cases, data cannot be provided at the district level because there aren't enough students to be able to report it (number of students is so low that the information is considered personally-identifiable).
- Regional Education District (RED) incentives: RED incentives, in combination with recent increases in tax rates, are beginning to cause some momentum in the creation of REDs. The Chittenden East Supervisory Union was recently successful in creating a modified unified union and the districts of Chittenden Central Supervisory Union recently approved a study committee. If legislation is not created to mandate larger, unified preK-12 districts, I recommend maintaining the RED initiatives. However, I would not extend the deadline at this point. Such an extension may encourage people to delay a decision to study the possibility. Further, if legislation is created to mandate unified preK-12 districts, the RED incentives should still be offered to SUs/districts who have already begun the process of studying unification. An additional incentive that should be considered is the possibility of construction grants for consolidation of schools if needed.

**Enforcing Minimum Class Sizes:** The law currently requires SUs/districts to have class-size standards. However, there is no consequence if they do not adhere to those standards. A minor increase in class size would result in significant savings state-wide and could be measured by the ratio of students to classroom teachers. Implementing penalties for districts that fail to maintain minimum class sizes would target districts that are creating the need to increase the state-wide base tax rate. These penalties could include closure of schools or higher tax rates (similar to excess spending penalties).

**Elimination of Small Schools Grants:** These grants are simply a tool to enable small schools (which are expensive and provide less student opportunity) to continue to operate at the expense of all other districts in the state. I realize there may need to be some exceptions due to geographical challenges, but by and large, this grant should be eliminated.

**Elimination of Hold Harmless Protection:** Limiting the decline in equalized pupils to 3.5% leads to the creation of hundreds of 'phantom' students. It also allows these districts to avoid discussions on how to address declining enrollment such as unifying with other districts. The burden of these 'phantom' students must be carried by all other districts in the state. To provide time for districts to react, elimination could be effective July 1, 2017 (in line with the RED deadline) or it could be phased out over multiple years.

#### **Health Insurance:**

- Option 1: Vermont Education Health Initiative (VEHI) should be allowed to operate as it used to in order to prevent districts from dropping out and reducing VEHI's purchasing power. Limitations to maintain "grandfathered" status such as maintaining cost sharing arrangements (within 5%), not being able to alter or add plan offerings, and the excise tax threshold make VEHI unsustainable.
- Option 2: If you can't help VEHI with "grandfathered" limitations, VEHI should be mandated to cease to exist on a certain date (which would force some type of change) and Vermont Health Connect would need to be opened to large employers in order for many districts to pursue that

option. As long as the VEHI continues to exist, school boards will have an extremely difficult time negotiating any other kind of health coverage. The coverage that teachers receive with VEHI is much greater than any coverage option under Vermont Health Connect (even the Platinum plan). Since the Vermont NEA has significant power, there is little chance any small, local school board will be able to negotiate more favorable health coverage terms.

- Option 3: Mandate that school employees be moved to the state employee plan. However, currently these rates are higher than VEHI.
- Option 4: Eliminate health insurance from collective bargaining and have the coverage and co-insurance determined at the state level through negotiations with the NEA. This could be combined with options 1-3.

I also have two thoughts that do not have to do with reducing costs. One has to do with tax rate calculations and one relates to an 'us versus them' mentality.

A common frustration among citizens is the complexity of tax rate calculation (especially if rates have to be blended among more than one district). We have had success explaining tax rates up to the point of dividing education spending per pupil by the base education amount (BEA). At this point, I can't answer the question, "what is the base education amount?". As you know, the BEA is basically an arbitrary number that is (usually) inflated from year to year. I believe we'd be able to explain tax rates if the BEA was an actual number such as the prior year's average spending per pupil inflated by the consumer price index. I realize this would lead to the need to increase the base rate, but if we don't take this action we will never be able to truly explain the tax rate calculation.

'Us versus them:' On many occasions, the Legislature mandates actions that are the right things to do for students. Unfortunately, these mandates (such as universal preK, dual enrollment, and early college) lead to increases in education spending. While the Legislature and schools are often on the same page regarding these mandates, it is extremely divisive when members of the Legislature 'throw schools under the bus' for increases in spending. In turn, schools sometimes blame the Legislature for mandates and increases in base rates. This 'us versus them' mentality is damaging to everyone and causes anger among citizens. If the Legislature would take some ownership of increases, schools would be less defensive and there wouldn't be as much angst among citizens.

I hope you find these suggestions helpful. I apologize for the length of this document, but hope it is structured in a way that is easy to digest.

Thank you for your consideration.

Respectfully,

Grant Geisler