



To: House Ways and Means Committee
From: Nicole L. Mace, Executive Director
Re: FY 2019 Education Funding
Date: June 5, 2018

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Since the conclusion of the 2017 legislative session, our Association has expressed an interest in working collaboratively with our members, the General Assembly and the Governor to take responsible steps to address fiscal concerns while preserving a strong public education system. In October, our members adopted a slate of resolutions on cost-containment, including a task force on ratios and statewide health insurance for school employees.

In November, Governor Scott issued a letter to education leaders asking school districts to hold FY 2019 growth in spending to no more than 2.5%. School boards and our administrative leaders responded to the call for fiscal restraint. FY 2019 budgets increased education spending by 1.8%.

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School boards presented FY 2019 budgets to communities that included tax rate increases – and 97% of school budgets were approved. The Administration and General Assembly should respect the result of this democratic process.

While voters may not have known the precise tax impact of school boards' proposed budgets, state law (16 VSA 563(11)) requires the budget article to indicate how much education spending per pupil increased or decreased over the prior year. Voters understand that as education spending per pupil increases, so do tax rates. The VSBA created and distributed an [informational video](#) for school boards and public access stations across the state, which was intended to inform the electorate regarding how tax rates are calculated.

We also distributed a Town Meeting Day bulletin, as we do every year, where we recommended that school boards present budgets to their electorate in the context of current law, despite the fact that there was a bill moving through the House that would have changed the education funding formula. This means that most boards presented budgets to their electorate that indicated property tax rate increases.

With respect to the Governor's proposal to use one-time money to buy down tax rates this year, I offer the following observations:

- Vermont's education system depends on a partnership between state and local officials. Any solution to the current education funding debate must respect the role that local officials play in overseeing the education system. This includes raising the revenue needed to fund the budgets that have been approved through the local process.
- Under our current system the state does not have the authority to dictate to local communities how much they can spend on school budgets. If the Governor is proposing to change the system to take direct control over school budgets, then he should make that clear.
- Using \$33 million in one-time money to lower property taxes in FY 2019 is bad fiscal policy, and places taxpayers, school officials and policymakers in the same position next year as we find ourselves in this year.
- Using one-time money to artificially lower tax rates perpetuates the education funding "crisis" and makes it very difficult for school officials to implement the kinds of structural and operational reforms that will create greater efficiencies over time.
- Our Association supports the implementation of H.897 and statewide school employee health insurance negotiations, but do not believe that the state should spend anticipated savings this year before the implementation of those policies is complete.
- We also support the creation of a task force to establish staff to equalized pupil target ratios for specific categories of schools and school district configurations and develop recommended strategies for districts to help them meet targets. We do not support spending any anticipated savings that may occur by adjusting staff-student ratios before that task force has concluded its work.
- The General Assembly and the Administration continue to enact new laws and regulations placing fiscal and operational demands on school budgets. If there are concerns about education costs and property taxes, new requirements should not be added without state revenues to offset the impact on the property tax.

With respect to the yield provisions currently under consideration as part of the Beck amendment, we believe them to be similar or identical to those in H.911 as passed the House. If that is the case, the Association has the following concerns:

- **Education Spending:** The yield provisions could increase education spending in districts that have average or below-average per-pupil spending. These districts tend to be larger – Burlington, Rutland, Winooski, Brattleboro – and increases in spending in those districts could have a significant impact on the Education Fund over time. We believe this could lead to a need to revise the education funding formula again in just a few years.
- **Inequitable Impacts:** Cost containment applied to high spending districts – which tend to be small, rural districts – will not lead to lower K-12 costs statewide. Many of our high spending districts pay tuition because they do not operate all grades, which makes the notion of cost-containment on those districts extremely problematic. We risk further eroding programming in some of our more vulnerable communities, while having little meaningful impact on Education Fund uses.
- **Timing:** We have serious concerns about changing the funding formula for FY 2019. Our Association are asking the General Assembly to acknowledge the work of school boards and administrators – who clearly have the support of their communities – and take no action to affect the education funding formula for FY 2019.
- **Clarity:** Early in the session, lawmakers had a goal of simplifying the funding formula and making it easier for voters to understand the connection between budgets and tax rates. The yield proposal makes that connection more difficult to see, since the calculations are more complex.

The Governor’s proposal to level-fund tax rates and “manage the Education Fund” would require the state to take greater control of school spending and operations. This discussion isn’t about taxes – it’s about who should decide how much we spend on our children in our public schools. We strongly believe that local communities currently have that responsibility, and should continue to do so.