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TO: Senate Finance Committee
 FROM: Rebecca Holcombe, Ed.D., Secretary of Education *RH*
 SUBJECT: Testimony on Proposed General Fund Transfer and Education Fund Budget
 DATE: February 1, 2017

What is in the proposed General Fund Transfer to the Education Fund in the Governor’s proposed budget?

The Governor designed his budget to promote the goals of **strengthening the economy**; **making Vermont more affordable**; and **protecting the most vulnerable**. The FY17 to FY18 changes in the budget reflect those priorities. To support these specific goals, the Governor proposes to fund the following new activities (investments) off the Education Fund:

New or expanded child care initiatives through AHS:	
\$7.5 million	Child Care financial assistance program (CCFAP) at CDD
\$600K	Child care shared services pilots (CDD)
\$500K	Grants for childcare to be matched with municipal dollars to encourage local action.
\$8.6 million	Total

New initiatives for schools:	
\$1 million	Competitive grants to promote full day Pre-K programs in our most disadvantaged communities
\$1.6 million	Grants focused on classroom innovation; management and modernization; science and technology; career and technical education
\$2.6 million	Total

Additional dollars to Higher Ed (in addition to early college, VAST, and dual enrollment)	
\$4 million	Increase in VSC base appropriation
\$1 million	Increase UVM base appropriation
\$1 million	Increase VSAC's base appropriation
\$500K	Ongoing scholarships through the Next Generation Fund for Vermont National Guard members
\$6.5 million	Total

In addition, the Governor’s proposed budget transfers a set of education costs from the state budget to the Education Fund:

K-12 Education Costs Transferred to the Education Fund	
\$8 million	Costs associated with teacher retirement
\$27 million	Retired teacher health care
\$35 million	Total

Higher Education Costs Transferred to the Education Fund	
\$83.7 million	Current Higher Education investment

To offset some of the costs associated with the preceding, the Governor proposes to:

- Require teachers to contribute 20% to healthcare premium (brings parity with state employees and private sector) (\$15m); AND
- Level fund school districts at the FY17 district spending levels (special school vote proposed for May 23).
- Increase the GF transfer by \$86 million, which in the current year offsets the transfer of \$89.7 million in Higher Education Expenses to the Education Fund.

Sources of revenue to offset “ups” to the Education Fund	
\$86 million	Transfer of current state investment in higher education to the Ed Fund
\$15 million	Estimated savings from having teachers pay 20% of their health care
\$30-41 million	Estimated savings by asking districts to level fund (or more accurately, by telling the districts the state will level fund)

The “ins and outs” of the proposed FY17 Education Fund budget can be summarized as follows:

	New uses in EF	New sources in to EF
New investment in Early Ed	9.6	0
New investment in Higher Ed	6	0
Move Higher Ed to EF	83.7	86
Move normal teacher retirement to EF	8	0
Move retired teacher health care to EF	27	0
Innovation Grants	1.6	
GF Payment for Retirement & HC	0	0
Teachers pay 20% health care		15
Ask districts to level fund		41
Totals:	135.9	142

The governor has proposed worthy goals. Central to the Governor’s mission is the idea of creating a continuous vision for education and learning from age 0 through college. By

proposing this vision forcefully, he has set the stage for a careful conversation about how to get the best value from every tax dollar that we can for both our children and the state.

Getting to these goals will require some very hard work, a shelving of ideology and partisanship, and a good dollop of compromise. Let's take his message as an invitation to take long overdue steps in the right direction.