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To: House Committee on General, Housing and Military Affairs
From: Neil Odell, President, Vermont School Boards Association
Re: H.63 and H.81
Date: January 21, 2021

Good afternoon Chair Stevens and committee members, my name is Neil Odell and I am the current President of the VSBA Board of Directors. I have served as a school board member in Norwich Vermont and the Dresden Interstate School district (together with Hanover, NH) since 2009. Thank you for the opportunity to testify today.

As others have testified, Act 11 of 2018 (which was the budget bill) established statewide bargaining for school employees' health insurance. Senate Education is the only committee that reviewed the language in Act 11 on this topic and the bill became law without the Governor's signature. So it is no surprise that the first round of statewide bargaining revealed some weaknesses and gaps in the statute. You have two bills before you this session that attempt to address those issues. I'm here today to express VSBA's strong support for H.63 as introduced by Representative Conlon and would like to address a few of the key points of that bill.

Currently, Commission members are required to submit "evidence, documents and written material" but there is no requirement that their submission include cost information (H.63, page 10). Statewide healthcare costs for school districts tops \$200 million. The arbitrator's award at the end of the first round of negotiations resulted in an estimated \$25 million increase in education spending. Since this is a statewide process impacting the Education Fund and every school district budget, we believe that each side's submission should include a full cost estimate for the full term of the proposal with a breakdown of costs borne by employers and costs borne by employees on a statewide basis.

If the process turns to arbitration, an arbitration panel should be required to consider this cost information and determine which of the two submissions most appropriately balances appropriate access to health care benefits and reasonable cost containment to ensure the financial sustainability of the plan (H.63, page 11). Many of us were disappointed with the brevity of the arbitrator's analysis upon his award. This occurrence highlights the need to

require a panel, as opposed to a single individual, and to codify in law the specific set of parameters the arbitration panel shall consider when selecting a particular last, best offer.

Additionally, the arbitration panel should also be required to consider the percentage increase or decrease in education spending that is likely to occur under either party's proposal for the full term of the award as compared to overall economic growth for the State of Vermont (H.63, page 12).

You've heard from the Vermont NEA regarding affordability. The discussion of affordability has two components; the benefits must be affordable to employees but they also need to be affordable to the taxpayers that fund those benefits. The affordability lens also provides for two views: the short term implications of the arbitrator's decision after the first round of bargaining and the long term implications of that (and future) decision(s) on future VEHI premium rate increases. The long term sustainability of VEHI depends on the affordability of the plans for both employees and taxpayers. The current issues with the teacher pension plan illustrate why financial sustainability is important to consider close to the beginning of this process so that painful choices do not have to be made in future years. In fact the Tax Commissioner's December 1st tax letter indicates the direct impact that the pension liability has on taxpayers: of the proposed 9 cent increase over a third of that (3.5 cents) was the result of a 5 fold increase in pension obligations.

The cost pressures on school boards are real. Each spring, just after Town Meeting, I say to myself that it will be better next year and each fall, as we begin to build the next budget, I discover that it's not. A dollar spent on benefits is a dollar that is not available for other uses within the school system. We do not want school boards to have to suppress salary increases, cut staff or educational programming in response to unsustainable health benefit costs, which is already a factor for many school boards. In my district healthcare costs as a percentage of the total budget have grown from 7.73% in FY19 to 8.67% in the proposed budget for next year. In South Burlington, those figures are even greater; 10.7% in FY19 to 13.2% in the proposed budget for next year. As Elizabeth Fitzgerald shared with this committee earlier in the week, South Burlington has already cut programming and operations as a result of increased healthcare costs. In Norwich, our initial analysis of the shift in first dollar HRA coverage has resulted in a 27% increase in HRA expenses for the district. This is a substantial benefit and any changes to the benefit have a substantial impact statewide.

The VSBA strongly supports a panel of arbitrators as proposed in H.63 (page 8). The panel would consist of three arbitrators (2 VT residents and a neutral member of the Vermont Labor Relations Board) to make this important statewide decision in the event the Commissioners cannot mutually agree on an arbitration panel. Education funding in Vermont is complex. I sometimes half-jokingly say that it's taken me at least 8 years to feel comfortable enough to present our budget at Town Meeting. This year is a great example. In my town of Norwich the proposed elementary school budget is down from last year. The Norwich assessment from Dresden is up 1.37%. Yet due to changes in student numbers, the property yield number and the common level of appraisal we're forecasting a 13% tax rate increase! For a \$400,000 house that's a property tax increase of over \$900. If any of you would like to take my place in explaining this budget at Town meeting this year I'm willing to pay for your services. The bottom line is that Vermont education funding is complex and the folks in charge of making decisions on the use of Education Fund money should at least have a basic understanding of how it all works. This point also highlights our belief that this bill is as much an education bill as it is a labor and negotiations bill.

In summary, the VSBA supports all of the proposed changes detailed in H.63. The first round of bargaining has caused reflection on the need for clarity in Act 11's mission in the establishment of the Commission to balance access to high quality healthcare for educational employees while bending the cost escalation trajectory of those benefits. While I didn't cover all of the aspects of the bill I'm happy to answer any questions you may have on any part of the bill. Thank you very much for your time today and your consideration of H.63.