

SOUTH BURLINGTON SCHOOL DISTRICT

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March 8, 2021

Dear Senators,

Thank you for considering H.81, a bill addressing statewide bargaining for public school employees' health care benefits.

[H.81 as passed by the House](#) eliminates the requirement that premium responsibility percentages and out-of-pocket expenses for each plan tier must be the same for all participating employees. The Joint Fiscal Office estimated the cost of just the change in premium responsibility in a [memo dated February 2, 2021](#). As noted in the memo, the impact of each 1% change in premium responsibility is likely understated because of changes in the number of participants and the tiers and types of plans they were able to access between November 2019 (the data used) and January 2021 (when the arbitrator's award under Act 11 went into effect). In order to understand the full financial impacts of the changes proposed in H.81, the Committee should require a formal fiscal note based on the most recent data that includes the impact of changes in sharing of both premium and out-of-pocket costs.

Some level of cost containment with respect to healthcare benefits is necessary to ensure the long-term sustainability of the benefits without further erosion of programming and supports for students, maintenance of facilities, and operational stability of school district operations.

In South Burlington, healthcare costs have been increasing significantly over the past few years, despite efforts at the state level to contain them. The attached chart shows the increase in healthcare costs in the district since FY2014 and a comparison of those costs to our total expense budget. Some conclusions that can be drawn from the history of healthcare costs in our district:

- The district did see a decrease in healthcare costs in FY2019 as the new healthcare plans introduced in FY2018 were fully implemented. However, increases in healthcare costs over the course of FY2020 and FY2021 will wipe out any savings achieved by the implementation of the new plans.
- FY2021 healthcare expenses are projected to be the highest in district history, despite significant cuts to staffing last year that were necessary to pass a budget.
- Healthcare as a percentage of the district's total expense budget hovered at just over 12% under the old healthcare plans, dropped to 10.7% when the new plans were implemented, and in FY2021 will be back at 12.8%. For FY2022, the district projects that healthcare costs will make up 13.3% of its total expenses.
- If healthcare costs had stayed at 10.7% of our budget and we had been able to pass the FY2020 and FY2021 budgets at the levels that they passed, over \$1 million more would have been available over the course of those two years for other priorities like student programming, facilities maintenance, and operational improvements that would lower the district's risk in several areas.

- From a different perspective, South Burlington taxpayers will have paid over \$1 million more toward the district's operational costs in FY2020 and FY2021 with no impact on educational outcomes.

Last year it took South Burlington three votes to finally pass a budget for FY2021. The budget we finally passed had a smaller overall expense increase than the expected increase in healthcare costs for this year, meaning that we had to reduce student programming and increase operational risk by making cuts in other areas of the budget. Numerous co-curricular activities at the middle and high schools, family and consumer science at the middle school, certain AP classes and business education classes at the high school, and certain coaching and counseling supports in the elementary schools, were among the cuts that were made last year. As a result of increasing costs, including healthcare, as well as the ongoing pandemic, we were unable to propose bringing back many of the cuts that were made last year.

The FY2022 budget will be impacted significantly by the Arbitrator's award and by escalating healthcare premiums. Healthcare expenses in the district are expected to increase by 10.57% in FY2022 after increasing over 14% in FY2021.

We are very concerned about the potential for H.81 to increase the impact of health benefits on local school budgets. We would respectfully ask the Committee to amend Section 6 of H.81 by adding the following language to 16 V.S.A. Section 2015(b)(3)(B) (new language is in bold):

*In reaching a decision, the arbitrator or arbitrators shall **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.** The arbitrator or arbitrators shall also give weight to the evidence, documents, written material and arguments presented, as well as the following factors:*

* * *

*(vi) the actuarial value of the health benefits for the full term of the award proposed by each party as compared to health plans available through Vermont Health Connect; and
(vii) 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.*

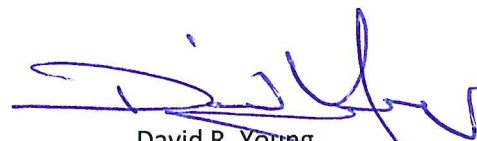
Please enter this letter into the written testimony of the Senate Education Committee and post it on the Committee's website.

Thank you for your consideration.

Sincerely,



Bridget M. Burkhardt
Chair, South Burlington School Board



David R. Young
Superintendent of Schools

South Burlington School District
Healthcare Costs FY2017-FY2022

	FY2017	FY2018	FY2019	FY2020	FY2021 (P)	FY2022 (P)
Single Plan Premium	\$ 9,028	\$ 7,654	\$ 6,913	\$ 7,726	\$ 8,719	\$ 9,556
Family Plan Premium	\$ 23,792	\$ 20,593	\$ 19,150	\$ 21,402	\$ 24,152	\$ 26,470
Increase Over Prior Year Premium Rate		-13.4%	-7.0%	11.8%	12.9%	9.6%
Base HC Budget	\$ 5,833,507	\$ 5,807,143	\$ 5,131,353	\$ 5,864,704	\$ 6,707,303	\$ 7,416,116
Clawback	\$	\$ 304,731	\$ 164,086			
Total HC Budget	\$ 5,833,507	\$ 6,111,874	\$ 5,295,439	\$ 5,864,704	\$ 6,707,303	\$ 7,416,116
Growth in HC Budget (%)	1.7%	4.8%	-13.4%	10.8%	14.4%	10.6%
Growth in HC Budget (\$)	\$ 99,620	\$ 278,367	\$ (816,435)	\$ 569,265	\$ 842,599	\$ 708,813
Total Expense Budget	\$ 46,973,703	\$ 49,268,888	\$ 49,686,166	\$ 51,746,533	\$ 52,532,248	\$ 55,623,080
Increase in Total Expense Budget	2.7%	4.9%	0.8%	4.1%	1.5%	5.9%
HC as a % of Total Expenses	12.4%	12.4%	10.7%	11.3%	12.8%	13.3%
Funding Absorbed by Higher HC Costs				\$ 349,675	\$ 753,550	\$ 314,176