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**Senate Finance Committee, House Ways & Means Committee, Senate
Education Committee, and House Education Committee Testimony (Act 127)
Lynn Cota, Superintendent
Franklin Northeast Supervisory Union**

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The intention of Act 127 was to improve student equity by adjusting the school funding formula. This adjustment to the pupil weights should provide more equitable opportunities and more equitable outcomes for Vermont students. As a state that has taken a strong equity stance, the intention of this law is good and moves us in the right direction. With these shifts, students' educational experiences would be impacted much less by the zip code their parents have the financial means to live in.

In FNESU we serve a population of students that are economically disadvantaged. We have historically made budget decisions with a mindset of limited resources, created by the limited tax capacity we can generate in our communities. The increase in weights allows us to increase offerings to meet the intent of the law:

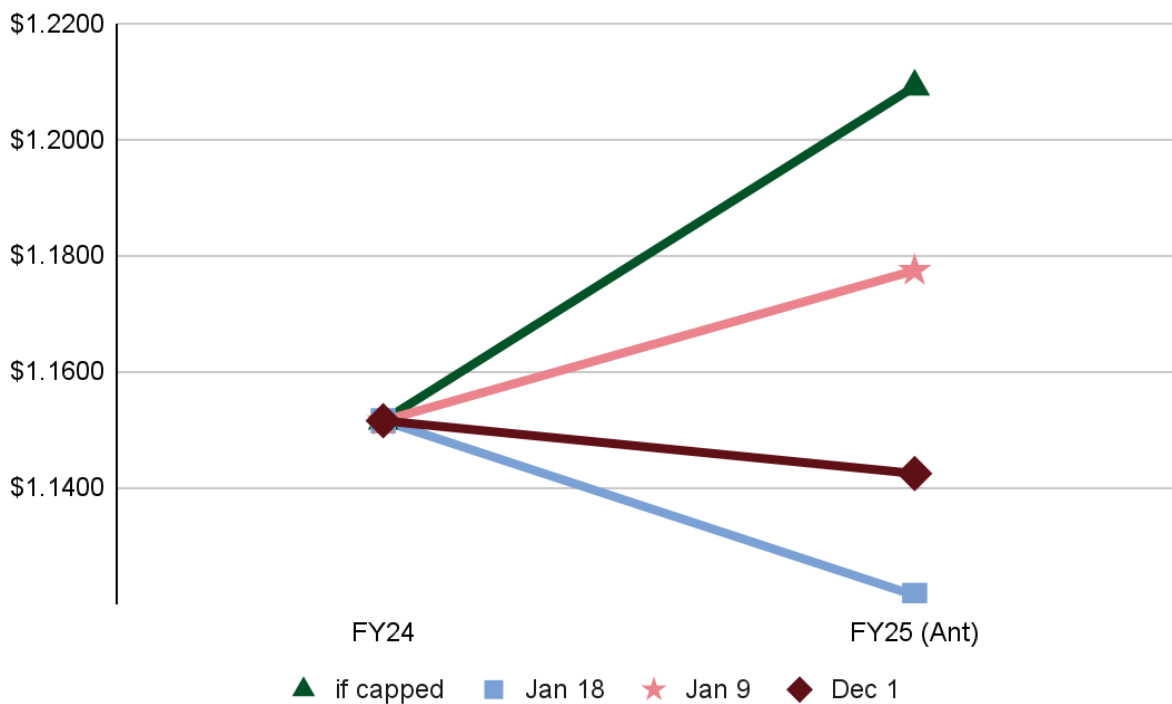
- We have been able to budget for field trips and experiences outside of Franklin County that our students have not been afforded as regularly in the past.
- Our population of emerging multilingual learners has more than doubled in a year; we have been able to budget for one additional EML teacher.
- We have been able to add resources to attempt to address the increasingly complex mental health needs of our students and families.
- We have budgeted for highly engaging materials and resources to expand STEAM programs and other resources in our schools.

We understand the need for a soft landing, for previously advantaged districts who are now needing to budget to more accurate pupil counts. In some historically advantaged systems that have hit the 5% tax rate cap, they have found spending capacity that has allowed them to obligate money for one time investments in capital projects and capital reserves that will not impact their residential property tax rates. This results in us funding not only our increased opportunities, but also their soft landing. The cost of these caps are being funded by the districts that were

supposed to be brought whole by Act 127, by Vermonters statewide who are paying based on income, and by non-homestead tax payers, which will indirectly impact renters.

Additionally, the implementation of Act 127 has caused significant disruption to the budget process. We have two credible, and very different, yields to use in presenting budget impacts to voters, and little faith that either yield is remotely accurate given the need to pay for the caps. Our boards finalized budgets with essentially a flat tax rate using the December 1 yield; we printed informational material with a tax increase using the January 9 yield (following AOE's recommendation); could be showing a decrease with the yield in the latest Education Fund outlook; and are doing a disservice to our voters if we don't discuss the real possibility that the end of the session may come with them hitting the 5% cap.

NMV UUSD Property Tax Rates Comparison Data FY 24 - FY 25



Districts like ours were intended to use the additional capacity under Act 127 to serve those students represented by the greater weights. If the burgeoning obligations to the Education Fund are not corrected, and the dollar yield plummets, our tax rate will be driven to the 5% rate cap. As more districts are capped, the yield will drop faster and faster until my colleague from Winooski may represent the only system remaining under the cap, and the only system left paying for all of those caps. And if Winooski's rate is driven to the cap, the yield can no longer generate any more money from the residential grand list.

In FNESU, our budgets both increased investments as intended by Act 127, and delivered slightly decreased tax rates, based on the December 1 yield. As I mentioned earlier, the cost of funding these caps may push our proposed rate up to that 5% increase. Our communities will

likely not support this kind of increase in their residential property taxes, especially when viewed as funding excess spending in other districts. If our budget votes fail and we go back to the board table to plan for the next budget proposal, there will be no way to cut from the budget other districts' spending over the caps, and the additive one-time investments they have made. The only things we'll be able to cut are the very opportunities we have added to equalize our students's opportunities under Act 127. It's possible that in order to impact our tax rates, we'll need to cut beyond those added opportunities, and reduce some existing programs and expenditures. This is the antithesis of what Act 127 was intended to do. A correction to the loophole left in Act 127 is imperative for this year. Without it, the opportunities our students were intended to benefit from will be lost. We say we believe in equity in Vermont; if that is the case, there are immediate decisions to be made by the legislature to course correct. I don't believe that some school boards and leaders understood the totality of the impact their decisions would have on others. I understand the rationale behind many of the decisions that have been made, especially given the long time moratorium on school construction aid. However, now that the ramifications are known I implore districts to reconsider decisions that will disproportionately impact historically disadvantaged students and taxpayers. In the words of Maya Angelou, "Do the best you can until you know better. Then, when you know better, do better."

There has been a lot of discussion that local tax rate increases are "due to" the CLA. As you all know, the CLA doesn't change costs, but rather changes how as a State we divide out those costs. Capping the CLA would just push the yield down even faster, and push more districts up to the 5% cap.

The CLA does add uncertainty and confusion to a finance system that is already confusing. People don't trust the information given when the District rate we talk about doesn't match the actual rate on their tax bills. People have a hard time understanding why they have a different tax rate than someone else in the same district. I can explain the reasons to people, but this, against a backdrop of the rest of the formula which is hard to explain, leads to distrust of the fairness of the system. Finally it is a distraction from where their focus should be: what is being funded in our school budgets, and why that is important to our kids.

What people do understand is that their house is worth more than some of their neighbors' and less than others. They do understand that their houses are worth more now than they were before the pandemic, even if their assessment hasn't changed. If we applied the CLA to property assessments on tax bills, rather than altering education tax rates, we would raise the same amount of money, in a way that made more sense, and seemed fairer, to our constituents.

I know that House Ways and Means has been taking testimony from the Joint Fiscal Office on cost containment measures and potentially transformative changes to education financing In Vermont, such as moving to a base education amount or a statewide level funding amount. I look forward to being a part of those future discussions.