



TO: House Ways and Means Committee

FROM: Flor Diaz Smith, President, Vermont School Boards Association
Amy Minor, President, Vermont Superintendents Association

RE: 24-0670 Transitioning Education Financing to the New System for Pupil Weighting

DATE: February 8, 2024

Good afternoon, for the record I am Flor Diaz Smith. I am the president of the Vermont School Boards Association and the school board chair for the Washington Central Unified Union School District and the clerk of Central Vermont Career Center School District.

Good afternoon, I am Amy Minor, I am the president for the Vermont Superintendents Association. I am the superintendent for the Colchester School District. I have served as superintendent in Colchester for 8 years. Prior to serving as superintendent, I was the principal of Colchester High School. I have also worked as a high school science teacher.

Our Associations were asked to provide testimony on your Committee's evolving work related to making adjustments to the transition provision of Act 127. We decided that it was most appropriate for us to speak to you because we are the elected leaders for our Associations.

We want to establish at the outset that our Associations are committed to equity in our education delivery system. Both Associations testified on S. 287 when it was under consideration in 2022. Like many others, we supported updating the student weighting methods to conform to the recommendations of the Pupil Weighting Factors Report. That stated, details are very important and one detail of Act 127 that is not working as the General Assembly intended is the 5 percent property tax cap transition mechanism.

Regarding our perspective on your work relative to that factor, we intend to focus on four specific points. They are:

- 1) Our understanding of the General Assembly's intention to address the unintended consequences of the 5% property tax cap feature that was included with Act 127 as passed.
- 2) An acknowledgement of the tremendous operational, governance and public relations challenges that these circumstances have brought to school district officials.
- 3) The cost pressures that have contributed to the increase in school district budgets for FY2025 as compared to FY2024.
- 4) Appealing to you to do whatever is possible to mitigate the effects of points 2 and 3 above through policy levers within your control.

With respect to our first point, our Associations have closely followed the developments that ensued following the release of the December 1 tax letter with its predictions of a 12 percent increase in year over year education spending and the resultant property tax increase.

We understand the conclusion reached by the General Assembly that the utilization of the 5% property tax cap by some school districts irrespective of their status (gaining or losing tax capacity) was resulting in a diminishing yield and creating concern both about a resultant increase in property taxes and adding to base spending in the Education Fund.

We also understand that the House Ways and Means Committee believes that the General Assembly must act to repeal the cap and replace it with a mechanism that presumably meets the legislative intent as originally construed. And we understand the general mechanics of the cent discount on property taxes for districts losing tax capacity that is being proposed as the replacement mechanism.

We are not in a position today to either support or oppose the proposal but we do understand the reasoning behind it. This work is happening fast, with varying levels of understanding on the part of everyone involved and among our members there are concerns about the pace and the process associated with that work. Whatever you do will change what was expected in terms of transition for some districts. Again, any mitigation strategy you employ, will have varying effects on the estimated tax rate for Vermonters. For those reasons and others, our Associations are not in a position to endorse your specific proposal, but as noted above, we do understand your reasoning and want to participate constructively in observing and commenting as appropriate.

With respect to the second point, we are compelled to say that in general, this event and its consequences have created immense challenges for local school officials that frankly, would be difficult to imagine, unless you have been living them. School boards and administrators statewide started the budgeting process in the early fall with an operating premise that the Act 127 property tax cap feature was in place. School boards and administrators also deployed a budgeting timeline that is well established and predictable. A process their communities expect and can anticipate. The disruption of this process alone will likely have the effect of diminishing voter trust. This is a cause for great concern on the part of local school officials.

Since fall, they have been focused on how to contend with the unprecedented pressures associated with the FY2025 budget cycle, while at the same time how to do the best possible budget work on behalf of their school communities, taxpayers, and especially their students. As they followed the Act 127 provisions, they were not thinking about the eventual or unintended consequences as there were no explicit guidelines provided on how or how not to use the capping provision. They would not have predicted that in less than 20 working days before the vast majority of school budgets vote that the 5% capping feature would be removed, essentially changing the funding formula that schools have worked hard to educate their communities about.

It is fair to say that the reaction of local school officials to this incredible course of events ranges from dismay to discouragement and from anger to anxiety - with everything in between.

That stated, this state is truly blessed to have local school officials who despite this challenge and the feelings they have about it, are heavily committed to serving students, their communities and very importantly, public education.

As for the third point, we want to start by saying that we are gratified that the early rhetoric on the part of some that school districts were “gaming the system” to take advantage of the cap has, for the most part, ceased. Those assertions were offensive, and they were wrong.

In their capacities as stewards of our state’s school systems, local school officials have done nothing but act deliberately and responsibly to do the best they possibly can for the communities they serve - learners and taxpayers alike. In using available features of Act 127, they were just following the law.

To suggest otherwise ignores the tremendous cost pressures that are well documented, and by now, hopefully well understood. Inflationary pressures affecting society as a whole, worker shortages impacting employers statewide and tremendous increases in health insurance costs are significant pressures that most Vermonters can relate to.

For schools, add in the role that they have been forced to play in contending with society's burgeoning mental health needs - at the very time that Vermont's mental health systems are losing capacity - and the need to contend with the fact that the physical infrastructure for schools has aged beyond its useful life with no state school construction aid for approaching two decades.

Add in the new obligations brought forth year after year by the General Assembly, which from our perspective sometimes enacts legislation without a full appreciation or understanding of the cost implications at the local level. And, a less well understood but impactful aspect just the same is the fact that while ESSER funds have gone away, the detrimental effects of the COVID crisis have remained. Causing some districts to retain ESSER funded positions in order to contend with the learning needs of the students they serve. In many districts those added positions are being used to close the achievement gaps which have been a long standing goal of schools and the Agency of Education.

With the cost pressures impacting this year's budgets and the dramatic implications of the rise in property values and corresponding decreases in the common level of appraisal, it is not surprising that school boards were searching everywhere in order to bring greater value to taxpayers.

With that stated, we want to let you know that we fully recognize that moving forward constructively needs to be a team effort and our Associations are committed to turning fully into the longer term challenges of what lies ahead. We urge the General Assembly to act this session to begin addressing those challenges and we look forward to proposing and discussing our ideas and those of others about how better to contend with education cost drivers in the future.

Our final point centers around the multitude of challenges facing our education system and appeals to our collective obligation to support that system. As the General Assembly deliberates the proposed changes to the Act 127 transition mechanism, we ask that, in light of the points made above, you do everything possible to honor these two reasonable requests.

First, please endeavor to support your local school officials by making every effort to make the necessary changes as least disruptive as possible. Please understand the importance of clear, concise and timely information in facilitating the actions of local school officials. Please understand that the decisions you make will directly influence a communities trust in their local budgets, boards and administrators.

And second, we implore you to do all that you can to set the yield as high as possible, - in a manner that reduces, rather than exacerbates the property tax challenges. This will necessitate finding additional non-property tax revenues for FY2025. We believe strongly that the points we have made above, in their entirety, make a compelling case for increased revenues to offset property taxes this year.

We have accepted your case that changes must be made to the transition provision this year. We hope with utmost sincerity that you accept our case that new revenues should be found to offset property taxes this year. After all, we are all in this together to ensure that each student reaches their full potential through quality educational opportunities regardless of their circumstances.

Thank you.