

TO: House Committee on Ways and Means
FROM: Jeff Fannon, Executive Director
DATE: April 12, 2024
RE: Yield Bill

Thank you for seeking our input on this annually important puzzle piece in the always important education funding solution. Vermont-NEA represents the thousands of school employees who serve the state's children helping them become productive adults, i.e., Vermont's future. As you know, the largest cost factor is educators' salaries and benefits, which are determined locally to ensure students' needs are known and therefore met. What we are talking about here is how the state meets its constitutional mandate to provide an equitable education opportunity to all of its children regardless of where they reside. Further, what we discuss in this building is how the state funds public education in a manner that complies with the *Brigham* decision. There are many competing factors and forces at play, and the education funding system needs to be responsive to them all. And last of my introductory comments but certainly not least, is that right now hundreds middle class Vermont educators are receiving RIF notices due to budget defeats. Those are educators who will not be able to assist Vermont students and that is the real face of these budget defeats.

The draft bill is complex, and we do not think we can speak authoritatively on the bill because we do not yet understand it or the consequences of the language on local schools. Our comments, therefore, are general in nature.

In January, during a meeting about education spending, I suggested, among other things, the need for new revenues. I applaud, therefore, the draft bill's inclusion of a cloud tax and the committee's serious consideration of a modest surcharge on short-term rentals. In the grand scheme of the education fund, these are modest proposals, but they signal to the school boards, administrators, educators, and families that Montpelier hears you and wants to help them do their shared jobs to educate Vermont's children.

We have often testified inside this building about the overly complex education funding system breeding distrust of the education delivery system, and the FY26 proposed changes further that complexity and distrust. For these reasons, we think the ballot language and the allowable growth percentage equation should be eliminated, but if you think they must be included they need to be rewritten so they are simplified and written in a manner the average voter can understand.

We do not understand the educational opportunity grants in section 16 well enough to comment. These grants, however, seem similar to the foundation grants the Vermont Supreme Court found unconstitutional in the *Brigham* decision, so we recommend proceeding with caution.

The draft bill's focus on school construction and establishing a segregated fund to capitalize school construction costs is good; however, funding that account by penalizing schools for so-called "excess spending" is cruel to schools that have increased student needs they are required to meet. The spending penalty will not properly capitalize the school construction fund and will only further penalize schools and communities. We don't recommend enacting this section, section 17.

As VSBA, VSA, VPA, and VASBO all said in their written comments, the ballot language sections seem merely designed to encourage voter disapproval of school budgets, i.e., a thumb on the scale, which we think is entirely unnecessary.

The remainder of the draft bill seems too much a work in progress on which to make lengthy comments. Instead, we agree there are many questions that should be asked, examined, and answered before proceeding. For example, in the initial draft bill there was mention of moving to an income tax with which to fund education, and we have long supported the income tax instead of the property tax to fund public education. It has long worked to fund all other government expenditures from the general fund, and while there are hurdles, we think they can and should be overcome so that we fund public education using the income tax not the residential property tax.