VSA
Vermont Superintendents Association

Tuesday, January 9, 2024

House Ways and Means Committee / House Education Committee
Jeffrey Francis, Executive Director - Vermont Superintendents Association
Testimony on the Topic of Education Spending

Good afternoon, I am Jeff Francis, the Executive Director for the Vermont Superintendents Association (VSA).

While I am the designated witness today, I want to let the Committees know that I am joined by several colleagues.

With me today are two close associates, Sue Ceglowski Executive Director for the Vermont School Boards Association and Morgan Daybell, President of the Vermont Association of School Business Officials. Morgan is also the business manager for the Franklin Northeast Supervisory Union.

Also joining me are two superintendents who are members of the VSA Board of Trustees. They are Libby Bonesteel, serving the Montpelier Roxbury School District and Mark Tucker serving the Caledonia Central Supervisory Union.

The Board of Trustees is VSA's ten member governing board - the entity to which I report. The Trustees meet regularly every month and sometimes, when the Association is working on a specific topic even more frequently. In my capacity as executive director I routinely confer with the Trustees in order to be sure that my understanding of a topic is consistent with theirs in their capacities as front-line school system leaders.

In light of the current focus on school districts spending in the FY2025 budget cycle - and specifically the topic that I have been asked to talk to with you about today - school district spending pressures - I have been conferring with Sue, Morgan and numerous superintendents including Libby and Mark.

In my experience as executive director for VSA, I have not seen a more dynamic budgeting cycle. I will also comment more on that later in my testimony.

In general, I think that the information that I am going to focus on at the outset of my testimony is perhaps well-known and well-understood by some of you but for others we may be discussing new topics or considerations or things that you may not have thought about.

As noted above, I intend to focus on the cost pressures affecting the current budgeting process, but as you consider the topic of school district budgeting and education finance overall, I would be willing to come back to get into more detail on related topics. I will briefly discuss some of those related topics as I provide my testimony.

By way of introduction to the cost pressures piece, I want to provide two pieces of context.

First, it is useful to understand that despite the fact that Vermont has a common statewide education funding system, education is delivered through local school systems.

Consider the fact that currently Vermont has 121 school districts governed by nearly 900 locally-elected school board members. By way of comparison, pre Act 46 there were 277 school districts governed by well more than 1500 school board members.

These districts employ 56 superintendents who oversee an equal number of central offices including school business managers and supervise more than three hundred principals providing educational and operational leadership in Vermont's schools statewide.

I make this point because despite the fact that there is a single education funding system, the dynamics in the school districts have all the variability that you might imagine in local systems that are reflective not only of the personnel working within them but also variability that comes with a lay person governing board, professional positions that turn over with some frequency, community characteristics that are reflective of population, proximity, history, culture, local economics, etc.   It is a complicated and dynamic system.

Please also keep in mind that these systems, which in combination spend over two billion taxpayer dollars annually are required - annually - to respond to an increasing array of laws, regulations and requirements often compounded by societal factors. It is a very complex system - I felt it was worthwhile to point that out.

Now to move on to the topic of current cost pressures, I want to point out that the information that I will share was not gathered scientifically through survey instruments - although it could be. It comes from observations and conversations that took place among members of the Associations in attendance today as they closed out their FY23 budgets, implemented their FY24 budgets and worked on developing their FY25 budgets.

The Agency of Education, in the form of outgoing Education Finance Manager Brad James - now collaborating with incoming Education Finance Manager Nicole Lee - both of whom I work well with and respect - have historically had the lead responsibility for working with school business managers in order to collect and report on the trends in anticipated increases in year over year school district budgets.

Those projections are one of the factors used to inform the Tax Commissioners December 1 letter - and it was through that process and that letter that we learned officially that proposed education spending is expected to be up precipitously this year.

That information, as conveyed to legislators, the Administration and the field through the December 1 letter and to the public through the Governor's quick messaging about the news - 12% percent projected education spending increases and a resultant 18% property tax increase understandably has captured the attention of all.

.

That declaration is simple. The backstory is not as simple.

In fact, an informal survey conducted by Morgan Daybell in his capacity as VASBO president shows, with one third of districts responding, a significant range in per pupil education spending changes of minus 35% to plus 45% and pre CLA tax rate changes of minus 21% to plus 32%.

Through work with superintendents and with my colleagues from VSBA and VASBO - who are in close contact with the members of their respective Associations, we can attempt to foster a more nuanced understanding of the significant cost pressures - and cost centers - that are contributing to the substantial increase in proposed school district budget this year.

While on point, these explanations should not be considered detailed in that we can't tell you the individual story for every school district in the state, but we can discuss trends and we can support the explanations with examples from Morgan Daybell and the superintendents with me today.

Yesterday we met to revisit the cost factors that we wanted to most specifically call to your attention and they are as follows:

1) Tremendous upward pressures on salaries and wages that have resulted in higher collective bargaining settlements - in general - than we were seeing in the pre-pandemic years. Factors contributing to those settlements are - in our view and experience are:

- Overall worker shortages and the need to be competitive within the education delivery system
- Recognition of the challenging conditions that school system personnel contended with during, and as we emerged from the pandemic
- Inflation
- Empathy for school personnel on the part of school boards and school administrators
- Competition for employees school system to school system and with outside employers
- As contracts were settled district to district, the tendency by the VTNEA and sometimes by school boards to use other recent settlements as comparisons in finalizing agreements

2) Steep increases (16.4% recently announced for FY2025) in the cost of health insurance - which since 2019 has been collectively bargained at the state level by representatives of the Vermont School Boards Association and Vermont NEA. Recent testimony by the VSBA and the Commissioners representing employers on the Public School Employee Health Benefits Commission cites the lack of policy levers sufficient to contain costs in the negotiations incorporated as part of the bargaining process.

3) The need for school districts to respond to burgeoning mental health needs in our communities as those needs play out in school communities at a time when the ability for community mental health resources are diminishing. The erosion of community mental health resources results in the need to enhance resources within schools. This factor has led to obvious and measurable expansions in positions in schools that are necessary to respond to these societal factors and their associated measurable costs.

4) The implications of the loss for federal ESSER monies, which while provided as a one-time federal revenue intended to support schools and communities were utilized by schools in an array of varying investments. In some instances the need to sustain these investments despite the loss of federal funding sources has been deemed as essential by local school officials.

Another cost pressure that has arisen in discussions of current pressures contributing to the FY2025 budget cycle is an increased focus on school facility improvements and stewardship. From my vantage point it is a logical and useful focus given recent policy priorities of the state as reflected through Act 72, the recent assessments of school facilities in Vermont and the work of the School Construction Aid Task Force.

It is also worth noting that the Education Fund is relied on not only to support local school district budgets, but also ongoing and one time state priorities. For example, last year the General Assembly added an presumed on-going obligation of $29 million for universal school meals while at the same time obligating $29.7 million for PCB remediation.

While it was not your specific request relative to my testimony today, I would be remiss if I didn't report to you that the pressures noted above have been exacerbated by two contributing factors that are being referenced frequently as local school officials wind up their FY2025 proposed budget development processes.

Those two factors are the implementation of the weighting changes associated with Vermont's most recent modifications to its education funding system and the dramatic changes in many communities' common levels of appraisal.

As you know, Act 127 is widely supported and laudable legislation that was implemented to adjust tax capacity among school districts in order to more equitably support the education of students with particular needs or situations across Vermont. School districts are working to respond to changes brought about through the law - and despite the transition provisions included in the law - are contending with both predicted effects of the law and the unanticipated effects that are reflective of extraordinary cost pressures.

It is fair to say that the implementation of Act 127 has been challenging for local school districts resulting from the changes associated with the law but also, and perhaps more significantly, because of challenges with getting the most accurate and up to date data from the Agency of Education necessary to understand and communicate local school district budgeting processes.

In a different category but contributing significantly to budgeting pressures also are the effects of the dramatic rise in property values over the last several years, which was presented to school officials through the January 1st distribution of state's equalization study. In the last couple of days I have heard more from superintendents about the implications of dramatic changes in common levels of appraisal and the effects on effective tax rates and budget presentations than any other topic.

Superintendents are reporting dramatic tax rate increases associated with a significant change in the CLA. VSA's president, Amy Minor serving the Colchester School District told me this morning that of the 15 percent tax rate increase in effective tax rate increase in that district, 75% is attributable to the change in the CLA.

In total, the factors above are contributing to the most challenging budget development cycle in recent memory and it is fair to say that local school officials are more concerned about the prospects for budget failures in March than typical - but more significantly the effects of those prospective failures on their ability to serve students and communities in an effective and responsible manner.

Thank you. We would be happy to answer any questions