

MEMORANDUM

TO: House Ways & Means and Education Committees
FROM: Jeff Fannon, Vermont-NEA Executive Director
DATE: February 6, 2025
RE: Comments on the Foundation Formula Proposal

Thank you for inviting me to talk a little bit about Vermont-NEA's preliminary thoughts about Governor Scott's proposal to finance public education with a foundation formula.

I would be remiss if I didn't start with a brief state of affairs in schools right now. Students are having difficulty recovering from the pandemic, and certainly younger students are in need of additional support services. This much is well known and reported. What is only becoming clear right now, as school budgets are being finalized in advance of Town Meeting Day, is that there is likely to be between 300-400 layoffs of school staff if proposed budgets pass. School boards have proposed budgets that will have a significant impact on students and programs. Adding to this cut, the governor's proposed cut of the universal school meals program is another blow to schools and students. The universal school meals program is enormously popular with educators because it has removed the stigma from students and stopped schools and educators from being debt collectors. That cut is an awful proposal and we should not go back.

We are still learning about the governor's other proposal, the foundation formula. What we have heard from the Colorado consultants and the Secretary of Education does give us pause. Of course, there is much we do not know, and we still have a lot of holes that need to be filled in.

I'll start by saying a foundation formula is something many states and Vermont-NEA's counterparts know and use to fund their schools. What I've learned is, and it's not surprising,

- At the outset, the amount needs to be well thought out and realistic. The governor's proposal, however, would cut spending by \$184 million. Such a drastic reduction in funding would result in the firing of thousands of educators.
- To ensure the foundation formula number is adequate, the amount must be sufficient for every district – we believe you and your JFO colleagues need to examine the amount to ensure it meets with Vermont's standards for adequacy not the out-of-state consultants' view of the world.
- It must also have weights that capture that some students cost more to educate than other students, and this seems to be the case given what we last week but again, you and JFO need to examine these new weights to ensure they meet the needs of Vermont's students and school districts.
- There must be an inflator that is realistic and has teeth, and if the foundation formula isn't inflated as necessary and by the required amount, the consequence of not maintaining the effort to fund schools adequately, then the pain should not be borne by the students, i.e., students should not suffer for the funding decisions made by the state.

- Lastly, if public money is going to private and religious schools, there must be an equitable methodology for calculating taxpayer payments to private and religious schools.

Not knowing all of these details does make a full assessment difficult but we are engaged in learning more about this part of the governor's proposal. That said and given what we know now, the formula doesn't lower taxes for anyone this year, and the apparent methodology to save \$184 million is all obtained by cutting staff. This, if true, flies in the face of what we are hearing from educators across the state—students are coming to school with greater needs than ever and schools and staff must rise to the challenge, which means resources. Student needs for mental health services has increased property taxes more than \$50 million annually, which previously was a cost the general fund paid. This silent shift to the education fund needs to be acknowledged and shifted back to the general fund or general fund transfer should be enacted.

We heard from the VSBA that the largest education cost driver is the cost of health care; however, the cost of health care is going up for educators too. Almost all educators pay 20% of the cost of premiums, and not surprisingly, that amount has also gone up dramatically for all educators. In 2017, VSBA, VSA, VPA, and Governor Scott advocated for educators to pay 20% because it would save \$26 million. Teachers are paying that amount, but the cost of health care continues to rise. Educators also pay out-of-pocket (OOP) costs—teachers pay \$1,000 and support staff pay \$600 for a family plan. As I said when I testified this morning, OOP occurs as a last dollar payment so as not to discourage educators from obtaining primary care at the earliest and cheapest point of service. We hear that many school support staff “work for health care,” which is to say their take home pay is minimal. The solution to the ever-increasing cost of health care is not to make educators pay more for health care, instead, please address the real cost driver in manner that would lower premium costs for both educators and school boards. Hospital costs are the real cost driver, and Vermont-NEA is advocating for the adoption of a reference based pricing system, similar to what other states have enacted with much savings being realized. I believe there is an openness to review this policy solution and we stand to support this discussion.

Additionally, Vermont-NEA does have a proposal that would lower property taxes for 50,000 Vermont working class households.

- Adjust the income sensitivity cliffs for inflation, which is long overdue and would save 50,000 households \$50 million right now
- Evaluate what is coming out of the Ed fund, for example,
 - Mental health costs are increasing annually by \$50-60 million, which previously was a general fund obligation
 - VSTRS normal costs are now \$35 million, which, prior to 2018, was a general fund obligation
- Abolish the residential property tax and move to an income tax

We know that voters rejected how they paid their education tax, they did not reject their schools.

Thank you, and I welcome the ongoing discussion.