

TO: Senate Committee on Finance

FROM: Jeff Fannon, Vermont-NEA Executive Director

DATE: April 22, 2025

RE: Testimony about H.454

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Thank you for allowing me to speak with you about Vermont-NEA's reactions to House Bill 454. Before I start, though, I want to talk a little bit about how Vermont's publicly funded schools are doing.

In a word, Vermont's local public schools – and the educators who work in them – are doing great things; in fact, despite the rhetoric, they are more than making the grade. Our public schools are a place where all students – from all walks of life – can learn and thrive. Vermont should be proud of its investment in its children, as Vermont is at the top in several measures of success. On the nation's report card, Vermont is top 3 in 8<sup>th</sup> grade literacy; Vermont compares favorably to larger and wealthier neighboring states such as Massachusetts and New York; Vermont is near the top in graduation rates; and we have some of the best and brightest graduates in the world: Anais Mitchel (Mount Abe) and Shauna Taub (Harwood), who between them won 10 Tony Awards and Victor Ambros (Woodstock) who won the 2024 Nobel Prize for Physiology or Medicine. Ever heard of Grace Potter? She, too, is a proud product of our local public schools. As are countless teachers, plumbers, doctors, electricians, and even politicians, including many of you and the governor.

All of this success comes from a system that funds more than just academics. The education fund pays for services that most states do not, e.g., social and emotional student health, and we are seen as the most “inclusive” state in the country when it comes to educating students with disabilities. In short, we have much to be proud of when it comes to Vermont's publicly funded school system.

The Vermonters who work in our schools - classroom teachers, special educators, school counselors, librarians, bus drivers, paraeducators, custodians, food service workers, phycologist, occupational therapists, among others – have worked through a pandemic, through a decades long nationwide educator workforce shortage that result in staff vacancies all in buildings that are in need of significant repair. But they show up every day to support our youngest citizens – their students – meet their needs, learn and realize their potential. Sometimes this includes supporting them through major milestones and more often it is being a stable, supportive and caring adult in their lives. Make no mistake in a relatively poor rural state, our educators, our students and our public education system is something to be proud of – and something we should preserve and strengthen. Vermonters routinely vote to increase taxes on themselves to pay for

our local public schools, and we should be cognizant of that deep investment local communities have in their schools.

Additionally, Vermont's school boards and administrators are ever vigilant when it comes to using limited resources wisely. The most recent Town Meeting Day budgets, for example, reduced staffing by almost 400 educators. If this type of mass layoff – Vermont workers getting a pink slip – were to happen in any other employment sector it would have been headline news. This was done intentionally, transparently, surgically, and locally, which is to say, communities throughout Vermont reduced staff to control costs but hopefully not reduce academic opportunities for students. While this is the second year of staff reductions and is a worrisome trend, it was done with the approval of local voters not done to local school communities by the state.

Layered on top of this state of schools is the tumultuous nature of the events happening at the federal Department of Education. Indeed, the chaotic and unknown nature of the events in DC has educators, administrators, and school boards walking on eggshells and anxious about doing anything to further upset the system. Just last week, for example, schools were threatened with losing federal funds for simply complying with Act 1 (2019) that was passed and signed into law calling for all Vermont schools to teach an honest curriculum about our history and to do it in a racially sensitive manner.

It is with this backdrop that Vermont-NEA reviewed the bill, H.454, and through a lens of doing no harm to the educational system. Shaking the system snow globe even more after surviving the pandemic, including the loss of federal pandemic recovery funds, and the new student weights that are still becoming better known, could do affirmative harm to our students and the education they receive. This is not to say any change is ill-advised but change for the sake of change is not helpful.

H.454 has a timeline for implementation that, while aggressive, is realistic in addressing the current challenges facing our education system. The bill protects educators' right to collectively bargain, who are feeling under attack by the culture wars, and the educator shortage, which is real and extremely troubling now and well into the future. There is no pipeline of educators stepping forward to fill the innumerable vacancies, notwithstanding the 400 layoffs, and the bill does nothing to exacerbate the educator shortage.

We do have some concerns with the bill. The class size section is concerning because we know there is no perfect size and in fact, we know that this is one of the characteristics that make our schools special and is often a goal of other states. Make no mistake, micro class are not good, but setting a class size number in statute may have unintended consequences for students. Additionally, it may be used to close small rural schools without community buy-in and while the exemptions may allow some schools that just cannot ever meet the goals of the bill to remain, it is a concern that again there could be unintended consequences. Furthermore, the "intent" language to achieve school size targets needs to include school construction funding support to ever be achieved. Without school construction funding, school size targets will never be realized.

The financing aspects of the bill again are mixed. The cost-factor foundation formula does achieve equity in the moment and reflects the real costs of educating Vermont's kids but as with any formula, the inflator must be realistic and have teeth if it is cast aside for economic expediency.

Further, we have concerns with a political appointee adjusting the formula amount, even with the guardrails that are in place, as is found in section 34 of the bill. For example, there is no appeal process if a school district believes the inflator isn't what it should be, and even if a district or any interested party believed the amount wasn't accurate, the language gives the Secretary the authority to set the inflation rate and a court likely would give the language "by the Secretary of Education" its full intended meaning. Moreover, relying on the US Department of Commerce for data, right now more than ever, is a mistake.

(16) "Base amount" means a per pupil cost-factor amount of \$15.033.00, which shall be adjusted for inflation annually on or before November 15 by the Secretary of Education. As used in this subdivision, "adjusted for inflation" means adjusting the base dollar amount by the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investment published by the U.S. Department of Commerce, Bureau of Economic Analysis, from fiscal year 2025 through the fiscal year for which the amount is being determined.

Indeed, Professor Kolbe suggested using a labor market inflation tool and not a generic inflation device. We additionally suggest adding a health care inflator aspect to section 34 so as to recognize what we all know to be the single largest cost-driver, the cost of health care. Vermont-NEA has been suggesting for some time that the state move to a referenced based pricing structure for hospitals that have more than 200 beds as has been successfully implemented in other states. That alone would reduce education spending by upwards of \$30 million next year.

Finally, because the Finance Committee still has the Yield Bill, rather than doing a universal rate buy-down it should use a portion of the reserved monies to reduce property taxes, in a targeted way, for working class Vermonters but leave as is the current tax on the wealthiest among us. This would allow some Vermonters to see their tax bill lowered while those Vermonters with means to pay what would otherwise be the normal increase.

A better approach altogether would be to adopt an income-based education tax for all Vermonters. Vermont-NEA has long advocated for a three-step approach to lowering and then eliminating property taxes for Vermont residents. First, adjust the income sensitivity thresholds to account for inflation. Second, examine what is now coming out of the ed fund that was not previously. Finally, move to an income-based education for all Vermonters, which is a fairer and more understandable taxing system.

Thank you for the opportunity to address some of our concerns with H.454. More importantly, thank you for recognizing the excellent work our educators – and students – are doing in Vermont's local public schools. When all is said and done, publicly funded schools are Vermont's most important resource – a resource our kids depend on and deserve on their journey to becoming happy, healthy, and productive adults.