



To: Senate Finance Committee

From: Sue Ceglowski, Executive Director and General Counsel, VSBA
Mark Koenig, Director of Policy Services and Legislative Affairs, VSBA

Re: Statewide Bargaining for Public School Employees' Health Benefits

Date: February 10, 2026

Thank you for the invitation to testify on the negotiations process for health benefits of public school employees. I am Sue Ceglowski, Executive Director for the Vermont School Boards Association (VSBA).

Joining me today is Mark Koenig, VSBA's Director of Policy Services and Legislative Affairs. Mark is a former member of the Commission on Public School Employee Health Benefits so he has first hand experience with the statewide bargaining process. He will provide you with testimony on proposed changes to the process and why those changes are needed.

Statewide Bargaining Process Set Forth in 16 V.S.A. Sections 2101-2108

Creation of Commission on Public School Employee Health Benefits

Prior to 2018, the health benefits of public school employees were negotiated at the local level. In 2018, the Legislature passed language in the budget bill (Act 11 of 2018) requiring negotiations to occur at the state level by the newly created Commission on Public School Employee Health Benefits (Commission).¹

The job of this independent Commission is to determine, in accordance with 16 V.S.A. Section 2103, the amounts of the premiums and out-of-pocket expenses for school employee health benefits that will be borne by school employers and by participating employees.

¹ Act 85 of 2017 created the Vermont Educational Health Benefits Commission to determine whether and how to establish a single statewide health benefit plan for all teachers, administrators, and other employees of supervisory unions and school districts. VSBA was a member of the Commission. The Commission recommended moving forward with a statewide benefit, to be negotiated by representatives of the parties. The Commission also identified a range of issues that any piece of legislation on statewide bargaining should address.

Composition of Commission on Public School Employee Health Benefits

Pursuant to 16 V.S.A. Section 2102, the Commission has ten members - five members represent school employers and five represent school employees. Additionally, each side has two alternate members on the Commission. As the organization representing the majority of public school board members in the state, the VSBA appoints the five Commission members and the two alternate members representing school employers (referred to as the “Employer Commissioners”). The law does not require the Employer Commissioners to be serving as school board members.

Duties of Commission on Public School Employee Health Benefits

The duties of the Commission (laid out in 16 V.S.A. Section 2103) include: determining the percentage of the premium for individual, two-person, parent-child, and family coverage under a health benefit plan that shall be borne by each school employer and the percentage that shall be borne by participating employees. Each school employer is responsible for paying, on behalf of its participating employees, the applicable percentages of premium costs as determined by the Commission.

The Commission must also determine the amount of participating employees’ out-of-pocket expenses for which the school employer and the participating employees will be responsible and whether school employers must establish for their participating employees a health reimbursement arrangement (HRA), a health savings account (HSA), both, or neither. In addition, the Commission must determine the extent to which the employer or employee shall bear first-dollar responsibility for out-of-pocket expenses if using an HRA.

Negotiations of Commission on Public School Employee Health Benefits

On or before October 1 of the year prior to commencement of bargaining, the Commission must request from the parties any data and information that it anticipates needing for the negotiation in a common format. To meet this requirement, the VSBA and Vermont-NEA jointly request data from all of the school districts in the state in a common format. Both sides utilize their own data analysts for negotiations once the data collection is complete.

16 V.S.A. Section 2104 requires the Commission to commence negotiations no later than April 1 of the year before the existing agreement is set to expire. In the current cycle, the Commission will begin the next round of negotiations no later than April of 2027.

Dispute Resolution

16 V.S.A. Section 2105 provides that the Commission must meet with its selected factfinder no later than August 15 if the Commission is unable to reach an agreement by August 1. Since its creation, the Commission has utilized a fact-finder because it has never reached an agreement by August 1.

The fact-finder must attempt to mediate the matters in dispute before issuing a decision. The law provides that if the mediation fails to produce an agreement, the fact-finder must submit a written report to the Commission by September 15, recommending a reasonable basis for the settlement of the matters remaining in dispute. Mediation has failed to produce an agreement in the past two rounds of bargaining and the fact finder issued a written report in both rounds.

Last Best Offer Arbitration

If the Commission is unable to resolve all matters remaining in dispute within 30 days after receiving the fact finder's report, the Commission must submit the matters remaining in dispute to the Vermont Labor Relations Board, an arbitrator or a panel of arbitrators.

The Employer Commissioners and the Employee Commissioners do this by submitting their last best offers prior to the arbitration hearing which must be held on or before November 15. The Commission has never resolved all matters remaining in dispute after receiving the fact finder's report. In both previous rounds of bargaining, the parties have submitted last best offers prior to an arbitration hearing (in the first round to a single arbitrator and in the second round to an arbitration panel) and the arbitration hearing was held in a timely manner.

The VLRB, arbitrator or arbitration panel must issue a written decision within 30 days after the hearing, providing a full explanation of the basis for the decision. Weight must be given to the evidence, documents, written materials and arguments presented as well as the following five factors:

1. The interests and welfare of the public;
2. The financial ability of the Education Fund and school districts across the state to pay for the costs of health care benefits and coverage;
3. Comparisons of health care benefits of school employees with the health care benefits of similar employees in the public and private sectors in Vermont;
4. The average consumer prices for goods and services commonly known as the cost of living; and
5. Prior and existing health care benefits and coverage for school employees.

16 V.S.A. Section 2105 requires the VLRB, arbitrator or arbitration panel to select one of the last best offers without amendment. In the first round of bargaining, the arbitrator selected the Employee Commissioners' last best offer. In the second round of bargaining, the arbitration panel again selected the Employee Commissioners' last best offer.

School employee health benefits are a major cost driver in school district budgets. The statewide negotiations process, as currently structured, has not been successful in slowing the rate of growth of the cost of school employees' health benefits. Cost containment (bending the

curve of future increases in cost) is needed to avoid further jeopardizing educational opportunities for students and maintenance of facilities.

The [VSBA's Legislative Platform](#) and our [Issue Brief on How the Cost of Health Care Impacts the Cost of Education](#) outline our position on reforming the Commission on Public School Employees' Health Benefits. We recommend:

1. Cap total value of health benefits (phased implementation).
2. Establish a single statewide HRA administrator
3. Revise Commission on Public School Employees Health Benefits by adding neutral or independent members
4. Expand arbitration criteria to include:
 - a. Comparability to Vermont Health Connect plans
 - b. Impact on education spending vs. state economic growth
5. Allow blended arbitration awards

At this point, I will end my testimony so that the Committee has time to hear from Mark Koenig about the rationale behind these recommendations and why it's important to make these changes now. Thank you for the opportunity to testify on this important topic.

Mark Koenig: Thank you for the chance to speak with you today. As Sue mentioned, I served on the Commission on Public School Employees' Health Benefits until October of 2025. I was an alternate commissioner during the second round of negotiations and then became the Chair of the Employer Commissioners which, again, represent the school employers and, by extension, Vermont's residents who support schools with their taxes. In early 2024 with my co-chair on the employee side of the Commission, we established a 2-year extension of the current agreement and then this past September added an additional year to that extension. As it stands currently, the third round of negotiations will begin in April 2027 with a new agreement taking effect on January 1, 2029.

Changes that the VSBA is proposing to the structure of the Commission and its process Sue just covered are outlined in [H.842](#).

1. H.842 caps the total value of health benefits by specifying that the Commission's determinations regarding first-dollar responsibility for out-of-pocket expenses shall not increase the actuarial value of the health benefit plans above 88 percent. We've included a slide with our testimony projecting that limiting the actuarial value of the Gold CDHP Plan and employer HRA obligation to 88% would save \$48.9 million upon implementation. Over ten years, the savings grows to \$125.1 million.
 - a. Based on the statewide bargaining decision, the plan most advantageous to employees is the VEHI Gold CDHP. It is a high-deductible health plan, with a deductible and 80/20% coinsurance, to an annual out-of-pocket maximum. However, with the first-dollar HRAs provided per the terms of the statewide bargaining, employees pay no deductible, and a limited amount of coinsurance after the district-paid HRA is exhausted. In 2023, over 200 non-licensed

employees on a single plan exhausted their HRA and paid \$0 out-of-pocket with claims costs between \$3,801-\$46,000.

- b. Here is a chart showing the members' out-of-pocket exposure after the HRA is exhausted. As you can see, that number ranges from \$300 for a non-licensed employee on a single plan to \$1000 for a licensed employee on a two+ person plan.

Employee Segment	Gold CDHP Tier	Member Out-of-Pocket Exposure <u>before</u> HRA	HRA Value	Member Out-of-Pocket Exposure <u>after</u> HRA
Non-licensed	Single	\$2,500	\$2,200	\$300
Non-licensed	Two+ members	\$5,000	\$4,400	\$600
Licensed	Single	\$2,500	\$1,900	\$600
Licensed	Two+ members	\$5,000	\$4,000	\$1,000

- c. In addition to health insurance, public school employees have Health Reimbursement Arrangements (HRAs) as a part of their bargained health care benefits. Public school districts pay for the HRAs and employees cannot contribute. In 2023 school districts spent over \$33 million through HRAs to cover claims costs for employees on the Gold CDHP. This does not include the other plan designs, or the administrative fees of HRAs.
- d. The HRAs are set-dollar amounts without any inflators. Healthcare costs, however, rise year after year. If a hip replacement costs \$20,000 in 2020, then the employer would pay the first \$4,000, the employee would be responsible for the next \$1,000, and finally VEHI would cover the remaining \$15,000. If that same procedure cost \$30,000 in 2026, then the HRA coverage would remain at \$5,000 (\$4,000 from the employer and \$1,000 from the employee), but the cost to VEHI would increase from \$15,000 to \$25,000.
- e. H.842 requires the Agency of Education to contract with a single third-party provider to be used by all school employers to oversee any health reimbursement arrangement or health savings account. Currently school districts contract with various third-party providers. The administrative fees of HRAs are approximately \$500,000 annually, statewide. By requiring a statewide contract with a single, third party provider, the total cost of administrative fees can be reduced. A single, statewide third-party provider could eliminate district-to-district

inequities and disparate levels of satisfaction, providing an equitable level of service which could be monitored more easily.

2. H.842 revises the composition of the Commission on Public School Employees' Health Benefits by adding three new members or their designee: the Secretary of Education, the Commissioner of Taxes, and a representative from the Vermont School Boards Insurance Trust. To adjust for the addition of these three members, H.842 reduced the number of members appointed by VSBA and the unions from five each to three each.
 - a. The current structure of the Commission is a simple two-sided negotiation resulting in limited "big picture" considerations that are more likely to result when a broader group of interested parties are at the table.
 - b. Bringing designees from the AOE, Tax Department, and VSBIT to the table expands the overall knowledge base beyond that typically held by union and school board members.
 - c. Given the general adversarial nature of negotiations, reaching agreement and consensus on simple matters like meeting schedules can be difficult and time consuming. Establishing a single neutral chair person can help facilitate the process.
3. H.842 expands the arbitration criteria by requiring the arbitrators to give weight to two additional factors beyond the five in existing law:
 - a. the value of the health benefits as compared to health plans available through Vermont Health Connect; and
 - b. the percentage increase or decrease in education spending that is likely to occur as compared to overall economic growth for the State of Vermont.
 - c. Current law requires an arbitrator to consider five factors, but the inclusion of these two additional factors draws a clearer focus on concerns of cost containment and economic impact.
4. H.842 provides the arbitrators with the following options:
 - a. select one of the last best offers submitted by the parties;
 - b. modify one or both of the last best offers; or
 - c. draft an award of the arbitrator's own design based on the information presented at the arbitration hearing.
 - d. This approach provides flexibility as opposed to current law which requires the arbitrators to select one of the last best offers in its entirety, without amendment.
 - e. The Arbitration Panel Decision following the second round of negotiations states, in part, that "[t]he Arbitration Panel has considered the statutory factors and reviewed the evidence and testimony in making its final decision. As stated at the outset, this Panel's statutory authority is to award either the Employer's LBO proposal package or the Employees' LBO proposal package; it cannot accept portions of the Employer's or Employees' packages. Perhaps this Arbitration Panel would have reached slightly different conclusions than [of the finder of fact] Mr. Cochran, as there are no clearly right or wrong answers to these weighty and complicated issues."

Thank you for the opportunity to testify on this important topic. Healthcare cost growth is a primary contributor to property tax strain in Vermont. H.842 provides a set of practical, limited statutory improvements that offer a responsible path forward. These concepts focus on slowing unsustainable cost growth while preserving fairness in negotiations.