

Education Legislative

Report



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2011 Session to Commence January 5th

The Vermont General Assembly will convene the 2011-12 legislative biennium on January 5th. For at least the first week of the session, the legislative schedule is filled with organizational business including electing leadership for each house, announcing committee assignments, and attending inaugurations for various state leadership posts. It will not be until sometime during the second week of the session that substantive policy work will commence in committees.

Shap Smith of Morrisville is expected to be re-elected Speaker of the House, and John Campbell of Quechee is expected to be elected to the top Senate leadership post, President Pro Tem. The prior Pro Tem, Peter Shumlin, has been elected the state's 81st Governor, and the executive branch will be returning to Democratic control after an eight-year stint under the Republican administration of Jim Douglas. Shumlin was one of four senators from the prior biennium to be elected or appointed to a new state office this year; the others are Phil Scott (Lt. Governor), Doug Racine (Secretary of the Agency of Human Services), and Susan Bartlett (special assistant to the Governor). At least 21 first-term representatives and six first-term senators will take their seats in the new biennium. Democrats retained strong majorities in both legislative chambers, similar to those they have enjoyed in recent biennia.

Again this year, the professional associations representing educational leaders will pool resources to provide regular reports on legislative activities of particular importance to public schools. Through the publication of our *Education Legislative Reports*, we will provide timely information to Vermont's school board members, superintendents, principals and other school administrators. Our intent will be to inform, and our purpose will be to equip school leaders with the information you need to communicate effectively with your local legislative representatives.

We know from experience that there is no substitute for constituent communication with legislators when it comes to effective Statehouse advocacy. Legislators want to know how their proposals are received at home, and they understand that the best sources of information about the effects of their proposals are the people they represent.

Inside this Report

Budget Targets Not Mandatory	2
Uncertain Financing for Ed Fund	3
Education Spending Down \$4M	4

The *Education Legislative Report* will be distributed primarily through email, with an Adobe Acrobat PDF file also available on each association's web site. Our publication schedule may vary. When possible, we will publish in time to enable you to talk with your legislative representatives on weekends or Mondays, when the

Legislature generally does not meet. You will soon be receiving a directory that shows which representatives and senators represent each supervisory union, and the directory will include contact information for the legislators.

It is imperative that school officials understand and participate in these public policy deliberations. As bona fide experts on the delivery of public education through our local schools, you have both the obligation and the right to have your expertise considered in these discussions. The quality of the discourse on public education issues in Montpelier will improve if you communicate your thoughts to your legislators. Our job is to keep you informed on what is happening in the Statehouse so that you know when and how to weigh-in.

Please do not hesitate to contact us with your comments about the *Education Legislative Report*. We look forward to hearing from you. You will certainly be hearing from us!

New Administration Announces Budget Targets Will Not be Mandatorily Enforced; Emphasizes Value of Public Education to Vermont

At a press conference Wednesday morning, Governor-elect Peter Shumlin, Speaker Shap Smith, incoming Secretary of Administration Jeb Spaulding, Commissioner of Education Armando Vilaseca, the directors of our Associations, and Vermont-NEA leadership convened together to announce that the Governor-elect and legislative leadership will be recommending that Act 146 *Challenges for Change* school district budget targets *not* be made mandatory. Governor-elect Shumlin spoke first, indicating that it is his hope that school officials and state policymakers can work together to address ongoing fiscal challenges while preserving high quality public education in Vermont. Shumlin also spoke of the value of public education, and praised local school officials for their ability to address difficult challenges. Smith emphasized both the importance of education to the state's future and the need for ongoing fiscal responsibility. Several speakers echoed parts of Shumlin and Smith's messages and welcomed the new administration's willingness to work inclusively with local and state educational leaders in developing state education policy.

Spaulding detailed three recommendations the Governor-elect will make to the Legislature:

1. The budget targets should remain voluntary.
2. All school districts will receive a share of \$19 million in federal education jobs money as revenue to offset education spending. Spaulding described this revenue as a "bridge" to allow districts more time to realize efficiencies.
3. The General Fund transfer to the Education Fund should be reduced from its statutory amount by \$23.2 million permanently. In other words, the transfer will still inflate in future years, but it will inflate from a base amount that is \$23.2 million less than it would have been otherwise.

Shumlin and Spaulding stated that these actions would allow districts to determine a level of education spending they believe is responsible, while preserving the Act 68 system, that is, education property tax rates are proportional to per-pupil school district spending levels.

Commissioner Vilaseca announced that the Department of Education would be posting the amount of federal education jobs money that each district can expect to receive on its website today. We expect the announcement will include guidelines for how and when districts can utilize the money.

Uncertain Financing for the Education Fund

A major fiscal issue that must be addressed by the 2011 Legislature and executive branch is how to finance the Education Fund adequately for FY12. A significant portion of the state's \$150 million deficit projected for FY12 is related to commitments the state has made to the Education Fund.¹ In other words, the state's deficit and the health of the Education Fund are closely linked this year, and resolving the issue is arguably the top priority for policymakers tasked with balancing the budget.

Property taxes contribute approximately 70% of Education Fund revenue and the other major source of funding is the annual transfer of funds from the state's General Fund. The amount of the transfer is supposed to increase each year according to an inflationary index. However, in both FY10 and FY11, the state reduced the amount of the transfer by more than \$50 million each year. Federal ARRA (stimulus) funds replaced about \$38 million of the reduction both years, and property taxpayers picked up the rest.

Policymakers are now in the process of determining what level of support the General Fund can transfer to the Education Fund in FY12. According to statute, the transfer should be \$304 million; in FY11, the actual transfer was \$235 million. We expect that the answer will fall somewhere in between. Secretary of Administration Jeb Spaulding announced at the press conference described above that the Governor-elect will recommend that the transfer be reduced from its statutory amount by \$23.2 million. It remains possible, even likely, that there will be further tweaks to the Governor-elect's recommendation before the process concludes.

The bottom line is that the Education Fund must have adequate revenue to maintain a sufficient reserve and pay all public education costs. Ultimately, property taxes will "float" to meet the difference between what the General Fund transfer can provide in revenue and school expenditures. A greater commitment of resources to the transfer will translate directly to reduced property tax burdens. We hope that when the Legislature and Administration consider and debate what transfer amount it can provide the Education Fund, it will consider the property tax implications as well as two salient facts:

1. Education spending in Vermont is projected to be less in FY12 than it was in FY10.
2. Property taxes are already providing a significantly increased share of Education Fund revenue as compared with several years ago. In FY05, property taxes comprised 60% of revenue; by FY11, the property tax share increased to 70%. This upward movement has significantly contributed to the annual increases in property tax collections in recent years.

¹ The state's projected budget deficit was recently revised upward from \$112M to approximately \$150M according to an incoming Secretary of Administration Jeb Spaulding.

Tax Commissioner Presents “If-Then” Tax Rate Recommendation

Each December, the Tax Commissioner is required to recommend a statewide base education tax rate for residential and nonresidential property. The Commissioner must evaluate the projected revenues and expenditures for the Education Fund and recommend a rate that will provide for school funding and ensure the fund's reserve remains sufficient. Acting Commissioner Ellen Tofferi cited the Act 146 *Challenges for Change* school budget reduction targets and stated in her recommendation that the FY12 tax rates should be reduced nine-tenths of one cent if all districts meet their reduction targets, and that the rates should remain unchanged from FY11 if all districts do not meet their targets. In FY11, the statewide base rates were 86 cents for residential property and \$1.35 for nonresidential property.

In response to the Commissioner's letter, Governor-elect Shumlin sent a letter to all school board members thanking them for their work and stating his expectation that statewide rates will be the same in FY12 as they were in FY11.

We remind school officials that the statewide education tax rates must be approved by the Legislature. As more information becomes available in the upcoming weeks and months regarding Education Fund revenues and school expenditures, expect more clarity with regard to FY12 education tax rates.

DOE Reports Education Spending Expected to Decrease \$4M in FY12

As part of Act 146 of 2010, each supervisory union and technical center school district in Vermont was required to report to the Department of Education on December 15th whether it expected to meet its budget reduction target. On December 16th, the Department reported that 53 supervisory units had provided complete data at that time and that 10 supervisory units had not provided all the required data. Of the 53 that did report, the Department tabulated a net reduction of \$4 million in education spending expected in FY12 as compared to FY11.

This is the first time in the modern school funding era in Vermont that education spending is projected to decrease statewide. In FY11, education spending was level funded on average across the state, so statewide education spending in FY12 is expected to be marginally less than it was in FY10.

The 53 supervisory units that reported had an aggregate Act 146 reduction target of \$19.9 million, so approximately 20 percent of the reduction target was met according to the self-reporting required on December 15th. School districts are not bound by their reports to the Department; actual school spending approved by voters may be more or less than the reported amount.

New Bills

At this time of the year, legislators are having bills drafted that reflect their policy priorities. Typically, more than a few of these bills will contain ramifications for public education. In our

Education Legislative Reports, we report extensively on education bills under consideration in committees, and at the end of the *Report*, we list all bills that were newly introduced and appear to have provisions related to education. However, at this time, the Legislature's computer system has not released any bills drafted for the 2011-12 biennium. Stay tuned; we expect to report on a flood of new bills in our next *Report*.

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