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To: House Committee on Ways and Means
From: Nicole L. Mace, Executive Director
Re: Governor Scott's FY 2018 Budget Proposals
Date: January 31, 2017

The VSBA shares Governor Scott's goals of greater affordability, increased economic opportunity, and protection for Vermont's most vulnerable. The proposals outlined by the Governor last week are not the better path to get us there.

Vermont's education system relies on a partnership between state and local elected officials. Progress on shared goals must be accomplished through collaboration and trust. The Governor's proposals suggest that local boards and communities cannot be counted on to create and approve budgets that respond to our fiscal and educational challenges. With no advance notice or consultation, school boards are being asked to take responsibility for addressing a \$35 million gap in the General Fund and funding \$15 million in new non K-12 initiatives.

School boards have led historic changes to Vermont's education governance system under Act 46. They are attempting to achieve a similarly historic feat by bargaining a transition to new health care plans that realize real savings for taxpayers without reducing coverage for employees. In light of these efforts, I urge Governor Scott and the General Assembly to support Vermont's school board members and build from these successes to continue progress on the goals we share.

FY 2018 Budget Votes:

The Governor's proposal to postpone town meeting day and have boards go back to the drawing board on their budgets discounts the hard work and dedicated hours already put into the budget process by hundreds of local school board members. If the Governor wanted boards to level-fund budgets, he could have sent signals to that effect well before the budget process had concluded. Bringing this proposal forward the week that boards must warn their budgets shows disregard for the process adhered to by school board members who have been engaged in this work since the fall.

***Brigham* Considerations:**

The Governor's proposal to allow local communities to spend 5% above a level-funded budget raises serious constitutional concerns. This approach, which would allow school districts to exceed a level-funded budget by raising revenues from their own grand list, seems to be in direct contradiction to the *Brigham* decision, which stated, "Children who live in property-poor districts and children who live in property-rich districts should be afforded a substantially equal opportunity to have access to similar educational revenues."

Town Meeting Day Act 46 Merger Votes:

Act 46 was a historic piece of legislation designed to encourage school boards to merge school districts in order to make our education system more affordable and effective. Governance change is complex and time consuming and is expected to lead to a more sustainable and coherent public education system.

Since the passage of Act 46, school board members around the state have devoted countless hours to developing plans for more affordable governance structures that have community support. In the past 19 months, Vermonters in 66 school districts voted to merge into 14 union school districts. On Town Meeting Day, voters in 57 towns are scheduled to vote on merger plans. We are concerned that the Governor's proposal for delay will impact these critical votes in communities across the state. There is real potential for confusion among the electorate regarding which vote is being held when.

Health Care and Collective Bargaining:

At the same time boards are responding to Act 46, every school board in the state is bargaining changes to employee health insurance plans. In the spring of 2015, the Vermont Education Health Initiative (VEHI) decided to replace existing school employee health insurance with plans designed to be competitive with Vermont Health Connect. This change means that, as of January 1, 2018, all school employees will be on new health care plans.

The new health plans cover the same health services and networks, but they have higher out-of-pocket costs (deductibles and co-pays). Because the premiums for

these plans are markedly lower, there are opportunities to keep employees' out-of-pocket costs at current levels while also creating savings for taxpayers. The VSBA spent the last year providing information to help school boards negotiate changes to the new health plans. Since one role of a school board is to determine how best to deploy resources in service of children and in support of the professionals that work with them, our guidance has been focused on helping boards reach settlements that benefit taxpayers and are fair to employees.

It is not clear to me whether the Governor's team was aware that all school employees are transitioning to new health plans as of January 1, 2018. This transition is complex, and involves decisions at the bargaining table that go well beyond premium share. One scenario I have shared with the Vermont-NEA (see handout) could result in savings of over \$26 million to taxpayers, while keeping school employees whole with respect to their health care coverage and out of pocket costs.

Having the legislature intervene in the collective bargaining process at this stage could delay or derail progress being made at the bargaining table. One useful contribution would be a clear signal that, if employees can be kept whole with respect to cost exposure in the new plans, savings should be returned to taxpayers. Legislation would not be required, but lawmakers and elected officials could stand with school board members who are delivering that message at the bargaining table.

Shifting Retirement, Child Care and Higher Education Costs to the Ed Fund:

The Governor's proposal to shift General Fund costs to the Education Fund has the potential to measurably increase property taxes over time, not decrease them.

While we fully recognize the value of high quality early care and education and post-secondary education, we do not support adding those costs into the Education Fund. The VSBA strongly supports the limitations on the use of the Education Fund established in 16 VSA 4025(b), and opposes any diversion of funds raised through the statewide property tax to programs not within the jurisdiction of school districts or supervisory unions.

To date, school boards have played no role in the establishment or financing of the Teachers' Retirement System. According to the State Treasurer's 2016 Annual Report, VSTRS' current unfunded liability is at \$1.2 billion, the highest of all unfunded liabilities among the three public employee retirement funds. The General

Assembly should not transfer liability for this system to the education property tax without first conducting a full review of the system in order to make recommendations and take action to ensure its sustainability over the long term.

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