



2017 Town Meeting Day Bulletin

Town Meeting Day is an important day for Vermonters, who make critical decisions regarding support for school and municipal budgets. Fewer than half of school budgets in the state are voted on from the floor at a traditional town meeting, with the rest voting by Australian Ballot at the polls. Vermonters tend to show strong support for local district budgets. In an average year more than 90% of school budgets pass.

This year, school boards across the state are taking the opportunity that Town Meeting Day presents to highlight the successes of the past year, to inform communities about their response to and progress regarding Act 46, provide updates on the status of collective bargaining agreements, and to ask for their support for the budget and direction of the educational program.

FY 2018 Budget Growth and Governor Scott's Call for Level Funding Budgets:

In January, Governor Scott proposed a set of budget initiatives intended to significantly stem the increase in K-12 spending in order to resolve General Fund budget gaps and direct new funds to higher education and child care.

Governor Scott's budget proposal would shift \$118M in liabilities to the Education Fund, paid for in part by one-time funds. Programs shifted to the Education Fund, such as the teacher's retirement system and child care subsidies, will continue to grow, resulting in new non-PK-12 cost pressures on property taxes.

In addition to shifting more costs to the Education Fund and property tax, the Governor proposed to delay town meeting day so that boards could go back to the drawing board and level-fund FY'18 budgets. The timing of this proposal – the week boards were warning budgets - discounted the hard work and dedicated hours already put into the budget process by hundreds of school board members and administrators.

The Governor's proposals suggested that local boards and communities cannot be counted on to create and approve budgets that respond to our fiscal and educational

challenges. **In fact, well before the Governor called for level-funding, school boards had already completed budgets that had decreased by 1.67%. This is an extraordinary accomplishment and one not replicated in state government.**

Unfortunately, although expenditures were almost 2% lower this year than last year, statewide property tax rates will not decrease for FY 2018. That is because offsetting revenues, such as surplus funds and other one-time money, decreased by 18.65%. In order to stay below the allowable growth thresholds last year, many districts used all of their surplus or reserve funds. This meant there was far less revenue available to districts in FY '18. As a result, education spending per pupil, the figure used to calculate tax rates, *increased* by 3.14%.

Public education in Vermont is confronting a wide range of challenges, including a steep decline in student enrollment, high per pupil costs, the expense of current staffing levels, state budget deficits and public concern over high property tax burdens.

Vermont's education system depends on a partnership between state and local officials. Progress on shared goals should be accomplished through collaboration and trust. **In that spirit, the VSBA is working with the Vermont Superintendents Association to develop a set of cost-containment recommendations that will more effectively address property-tax pressures while preserving our strong public education system.** We will be sharing those proposals widely in the near future.

The FY 2018 Yield and Tax Rates:

Every year, the General Assembly needs to raise enough money for the Education Fund so that there is sufficient revenue to pay for the budgets passed by every community in the state. In a typical year, final statewide education tax rates are set towards the end of the legislative session, once approved budget figures have been submitted to the Agency of Education. This means that on Town Meeting Day, boards share with voters their best estimate of what the tax rate in their community will be, because the final numbers won't be known until later in the spring.

Under current law, the "dollar equivalent yield" is the amount of per pupil spending that would be supported by a fixed homestead base tax rate of \$1.00 for taxpayers who pay based on the value of their property, and by a fixed applicable income percentage of 2.00% for taxpayers who receive an income sensitivity adjustment.

District specific homestead property tax rates will be higher or lower depending on the level of spending per equalized pupil relative to the amount raised by the dollar equivalent yield. Local rates are set based on the amount they are spending above the dollar equivalent amount. By way of example, if the \$1.00 tax rate would yield \$10,000, and a district presents a budget that has spending per equalized pupil at \$15,000, then that district's tax rate would be \$1.50.

The Commissioner of Taxes must propose a dollar equivalent amount for the following fiscal year on or before December 1. This is a challenging task because it relies on estimates and predictions regarding what budget increases boards will propose, whether the grand list will grow, and what the revenue from state sources such as the lottery and sales and use tax will be.

Current estimates have the property dollar equivalent yield at \$10,076.00 and the income dollar equivalent yield at \$11,875.00. The General Assembly will also set a uniform non-residential rate. The preliminary non-residential tax rate is \$1.55. **These estimates will likely change** once final budgets are approved.

As is the case every year, boards will present the best information they have regarding projected tax rates, which may be subject to change depending on factors outside of their control. What is within a board's control is the cost of education per pupil, which reflects both the opportunities provided to students and the management of personnel and related resources.

Act 46 Unification Votes:

Act 46 passed in response to persistent concerns about equity, quality, and cost in a state educating 20,000 fewer students today than twenty years ago. Vermont has one of the more complex education governance structures in the country, as well as the smallest school districts in the nation. A third of our 270 school districts oversee a single school serving fewer than 100 students. Act 46 calls on school boards and communities to have a much-needed conversation about how to design a better system that responds to our demographic challenges while preserving our commitment to high quality public education and strong communities.

Since the passage of Act 46, school board members, administrators and merger study committees have devoted countless hours to developing merger proposals. In the past 19 months, voters in 66 school districts have approved mergers, creating 14 unified districts. On Town Meeting Day, voters in 57 towns will vote on merger plans.

Governance change is complex and time consuming. Unified systems are expected to lead to a more coherent and sustainable public education system over time. Despite calls for the General Assembly to modify Act 46 by extending timelines and eliminating references to a “preferred” structure, neither the House or Senate appears inclined to make substantial changes to the law. The Senate Education Committee is completing work on a bill that would create some flexibility for districts facing unique circumstances, but maintains the law’s emphasis on creating unified PreK-12 systems.

Boards should be prepared to update their communities on the work that is happening in their district and region in response to Act 46. [Click here](#) to see a link of activity statewide.

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.

This transition is complex, and involves decisions at the bargaining table that go well beyond premium share. 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 has shared information with the VT-NEA and the General Assembly regarding a proposal that 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. There is interest among members of the General Assembly in exploring ways to capture those savings through this transition. It may be prudent to wait to settle contracts until after the General Assembly signals what it intends to do on this issue.

Boards should use Town Meeting gatherings to update the community on the status of bargaining. To the extent that your ground rules allow, a member of the school board negotiations council should speak about the status of negotiations, including the timeline and process and opportunities to get informed and engaged. If proposals are public, tell your community what the school board has proposed, and what the union has proposed.

Ensure your community understands that the board's approach could keep employees whole and return money to taxpayers.