

PHILIP B. SCOTT  
Governor



State of Vermont  
OFFICE OF THE GOVERNOR

November 14, 2017

Dear Education Leaders:

This is a long letter, but I hope you'll take time to read and reflect on it, and offer your own thoughts in return.

Vermont's education system is central to growing the economy, making Vermont more affordable and protecting the most vulnerable. But, as I detail below, we have pressing challenges. In this letter, I've proposed several ideas to address those challenges that I urge you to seriously consider as you enter the budget cycle.

I also want to hear your ideas. That's why I will host an Education Summit in December, so we can continue this discussion and work together to build the best education system in America, in a way that recognizes the urgent need to address the crisis of affordability and how it impacts the opportunities we are able to provide our children.

***The Vision: Building the Best Education System in America***

In my Inaugural Address, I shared a vision for a more innovative and unified education system that sets higher standards, and turns Vermont into an education destination for families. I believe we can reach these goals within existing resources, but only if we are willing to act boldly.

I want to work with you to revitalize the system, so our kids have more opportunities to thrive, our teachers are empowered to innovate, and you can spend more time on nurturing educational opportunities.

With a new approach in our PreK-12 system, we can continue our transformation to a cradle to career continuum of learning that understands the capacity to invest more in early care and learning and that higher education adds value for our kids, teachers, schools, communities and economy.

***The Challenges for Vermont: 6-3-1***

There are three numbers that literally keep me up at night: six, three and one. Every day when we wake up, on average, there are six fewer workers in our workforce, three fewer kids in our K-12 schools, and nearly one baby born exposed to opiates. Every. Single. Day.

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We *must* reverse these trends – and we can, if we face our challenges head on, put areas of disagreement aside, and work together. Reversing these trends is not going to happen overnight – but every minute we delay, the challenge compounds, Vermont gets less affordable for families and businesses and we lose more capacity to provide our children with greater opportunities.

During the first 10 months of my Administration, we have rethought processes and developed a strategic plan with clearly defined goals and measurable indicators – all focused on growing the economy, making Vermont more affordable, and protecting the most vulnerable. Reversing the 6-3-1 trends will restore our economic foundation and generate the growth and tax revenue we need to invest in our children, as well as other priorities.

Working with the Legislature, we took some important steps to change our trajectory, but much work is needed to achieve operational efficiency, long-term cost containment and investments that spur economic growth. Most notably, the State Fiscal Year 2018 budget was balanced without raising any taxes or fees for the first time in memory. Difficult decisions were required, but the current budget ensures state spending, including education spending, is not growing faster than our economy or wages – while making critical investments in people and the economy.

***The Challenges for School Boards: Your Work is Increasingly Complex & More Important than Ever***

Every year, you undertake the difficult work of balancing school budgets while supporting high-quality opportunities for kids. Since Vermont moved to a statewide funding formula under Acts 60 and 68, Montpelier has asked you to do more and more, making the annual balancing act between the operational costs, education priorities of local schools and the capacity of taxpayers more demanding and disjointed.

You've also faced budget caps and contemplated district consolidation. It's been difficult, but towns across the state have come together to evaluate enhanced opportunities for students while identifying financial savings. This is a necessary step to create the financial capacity for crucial investments in more academic opportunities through greater economies of scale.

In addition to our demographic and budget challenges, our substance abuse epidemic, coupled with rapid advancements in technology that require new skillsets, have placed new demands on our system and our educators.

You are facing significant obstacles and making difficult decisions, but you have shown we can make progress. Given the economic and affordability challenges we continue to face, however, I am asking you to work with me and the Legislature to do more, faster.

The fact is, our ability – as a state and locally – to make additional investments in education and support stronger outcomes for students is dependent on the more efficient use of existing resources. As the 6-3-1 trends demonstrate, we cannot afford to wait. Your work is more important than ever before.

***The Opportunity: Structural Reform & Strategic Budgeting Can Help Reverse 6-3-1***

Our education system is a powerful tool for recruiting more working-age families – the people who pay taxes, buy goods and services, and put kids in our schools. As we've shown in the state budget, it is possible – and essential – to align spending with growth in wages and the economy, while still making strategic reforms and investments that increase the quality of education.

Early projections for State Fiscal Year 2019 show that we will start with a deficit in the statewide Education Fund that, if left unaddressed, could increase property taxes by about \$80 million. Part of this deficit is structural; part of it is based on anticipated increases in local spending. While a consensus forecast process with the Legislature will determine the final deficit in January, it is only fair that you have this information as early as possible to understand the reality of what we're facing.

For nearly two decades we have heard the calls from Vermonters for property tax relief, yet every year we raise millions more in taxes to educate fewer students, and watch as you struggle to preserve essential academic services. In fact, per pupil education costs – which is how we calculate property tax rates – have grown faster than healthcare costs on average over the past ten years. That's even more surprising when you consider healthcare utilization is *increasing* while utilization of our education system is *decreasing*.

So why do we see rising per pupil education costs (reflected in higher property taxes) with declining student populations? The root of the problem is an education infrastructure built and staffed to educate well over 120,000 students, despite having only 80,000 today. Every dollar we spend on underutilized space, or on staff-to-student ratios that are unacceptably low, is a dollar that's not being spent on a child.

Three years ago, the Legislature passed Act 46 to address rising per pupil costs within Vermont's education system and to expand educational opportunities by creating more efficient governance systems. As we enter the final phase of Act 46 this summer, we should be looking for every opportunity to fulfill the goals of this legislation in the areas that have yet to merge. In addition, we must now make structural changes that complement what many of you have already accomplished.

***The Imperative: We Must Contain Spending Growth & Innovate***

To make Vermont more affordable, and grow the economy, we must live within our means at all

levels of government. For this reason, I have asked all Executive Branch agencies and departments to propose level-funded budgets. At the end of the day, I will not support any legislation that authorizes state spending to grow faster than the rate of growth in the economy and wages. We estimate the growth rate calculation – average state economic and wage growth over the past six years – to be 2.5% and expect confirmation from the state economist in early December.

We need to establish the same boundaries for per pupil spending across the state. If we have the courage to innovate and the resolve to follow through, this standard **does not** have to result in cuts to programming for kids and, in fact, can increase academic opportunities.

I acknowledge that one size does not fit all, but if your student count is declining, districts should do *everything* possible – including consolidation of grades and schools, or other innovations – to lower per pupil expenditures. Alternatively, if student count is increasing, you should not allow per pupil spending to increase more than the Growth Rate Calculation I will apply to State spending.

Approaches to achieving these spending targets will vary across the state, and my Administration is committed to working with you to develop a range of tools to support and accelerate innovation. These tools will reflect the diversity of the challenges you face and give you the latitude that you need to make changes that will help your districts be the very best they can be.

Members of my staff are refining proposals to share at the Education Summit we will host in mid-December with legislators and representatives from the School Board's Association, Superintendent's Association, Principals Association, Vermont-NEA, Council of Special Education Administrators as well as representatives from Vermont's independent schools, pre-kindergarten community and state colleges and universities. Invites to the summit will go out next week.

In addition, Secretary Holcombe has already issued guidance on ratios, and we will continue to look for ways to support school boards as they utilize staff attrition to facilitate the reforms we know are necessary.

Other concepts under consideration include:

- Changes to help Vermonters better understand the link between local budgets and tax rates when they vote on their school budgets;
- Examination of the timing of budget votes;
- Capital incentives for consolidating schools;
- State and local incentives to help manage staff attrition and achieve favorable ratios;
- Statewide policies to help sustainably plan for staffing costs;
- Regional pilot proposals to reduce regulations and promote innovation; and
- Rationalizing special education rate setting.

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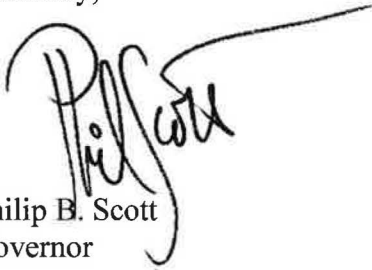
I look forward to hearing your ideas as well. Your knowledge and experience in this area is invaluable and any thoughts or proposals you would like us to consider, please email them to: [ethan.latour@vermont.gov](mailto:ethan.latour@vermont.gov)

***Let's Keep the Dialogue Going***

The only way Vermont can afford to create the best cradle to career education system in the country – one that will draw more working families to Vermont and reverse 6-3-1 – is to make far better use of existing resources.

I am optimistic we can find common ground – and I offer my personal commitment to doing so. I look forward to collaborating on this urgent and important work.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip B. Scott". The signature is stylized and includes a long horizontal flourish extending to the right.

Philip B. Scott  
Governor

PBS/kp