



FY 2019 Budgets: Education Funding & Policy Landscape

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2017 Political Environment



New Governor and
Legislative Leadership



Affordability and
Economic
Development Priorities



Continued pressure to
address property tax
rates



Act 46 implementation
well underway



All school districts
bargaining with the
union



Governor Scott's Budget Address

General Fund

- Addressed budget gap by moving \$118M costs to Education Fund

Education Fund

- Added \$17.2M in new spending for early education, higher education, innovation

Funds Transfer

- Increased General Fund transfer to Education Fund by \$86M; \$50M short of total obligations



Governor Scott's No Tax Increase Proposal

LEVEL FUND

- Hold education payments to school districts at FY 2017 levels

HEALTH INSURANCE

- Require teachers to contribute 20% of health insurance premiums

ONE-TIME MONEY

- Apply one-time revenues
 - \$26M from FY2017 Education Fund Surplus
 - \$5M reversion to the Education Fund anticipated in FY 2018



Final FY '18 Budget Approved by the Governor and Legislature

ONE TIME MONEY

- Relies on \$43.7M in one-time money to balance the Ed Fund
- 'Recaptures' \$8.5M in teachers' health care savings
- Uses \$35.2M to lower property taxes
 - \$27.4M from prior years surplus
 - \$7.8M from Education Fund Reserve

EDUCATION FUND PRESSURE

- Shifts \$8M in teachers retirement obligations from General Fund
- Takes \$1M in Medicaid money from Ed Fund and gives it to child care subsidy in General Fund

VERMONT
SCHOOL BOARDS ASSOCIATION

Looking Ahead to 2018 and FY '19 Budgets

Either reduce spending statewide by \$50 million

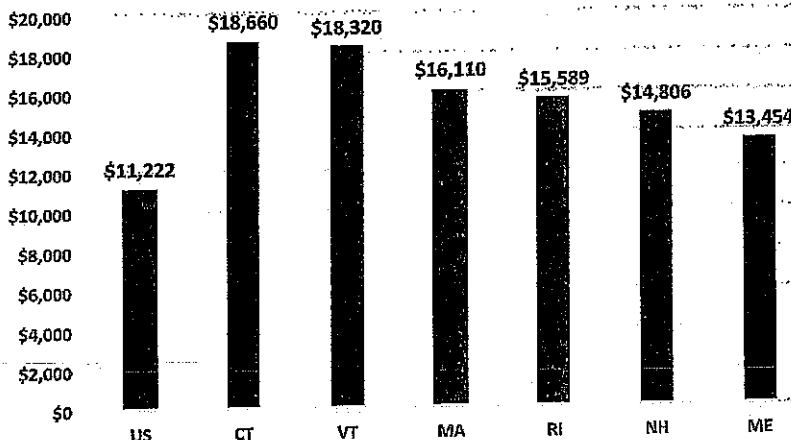
Hope some other revenue source materializes

OR

Taxpayers will face significant tax increases

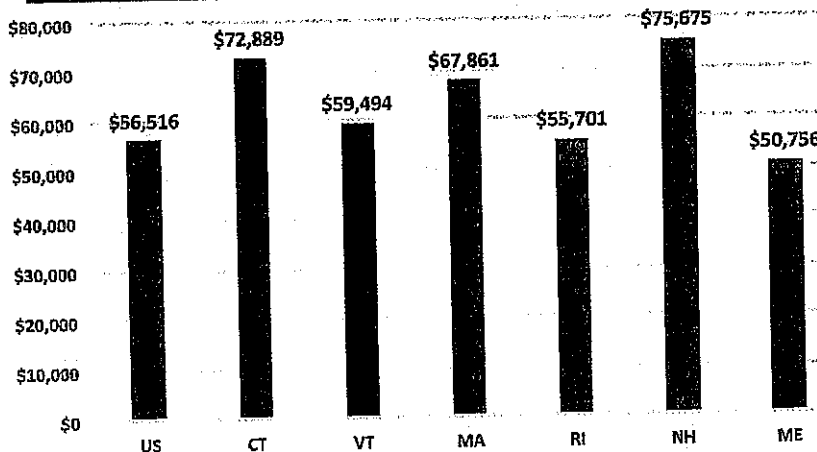
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Second Highest Expenditure Per Pupil in New England



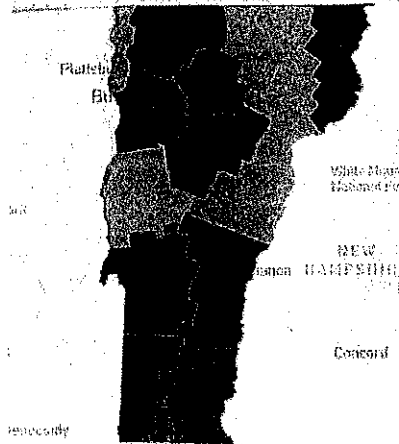
Sources: 2015 NCES Digest of Education Statistics - Current Expenditure per Enrolled Pupil, FY 2014, in Constant 2015-16 Dollars

Third Lowest Median Household Income in New England



Source: U.S. Census Bureau, 2015 Median Household Income by State

Challenging Demographic Realities



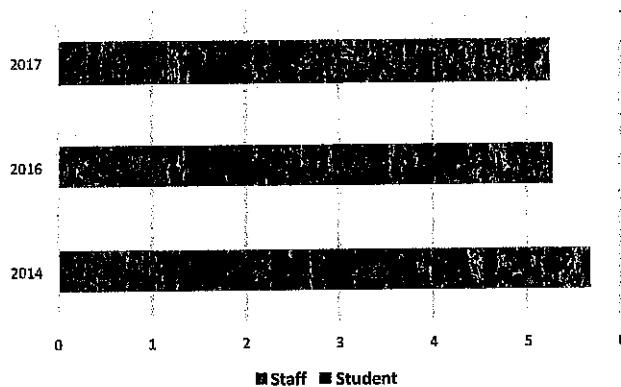
- No population growth this decade.
- 2nd oldest state (26% decline ages 25-39 since 1990)
- Vermont lost population three of the last four years (2012-2016)
- Only 24% of VT households have school age children
- Declining student enrollment since '97 – losing 1% a year



Source: U.S. Census Bureau – VT Population Loss by County 2010-2015

Staff-Student Ratios Continue to Decline

VT Staff : Student Ratios

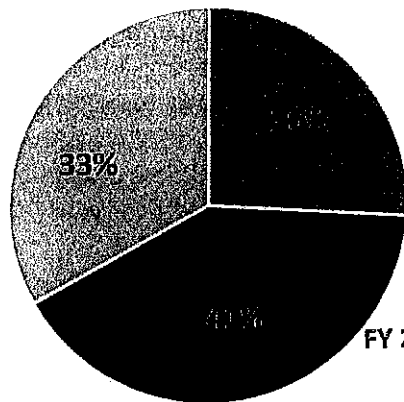


- Maintaining a ratio of 1:4.6 would have saved the state \$86.4 million
- Moving to a ratio of 1:5 would save the state \$175 million



Source: VT Agency of Education

Sources of Education Fund Revenue – 2018



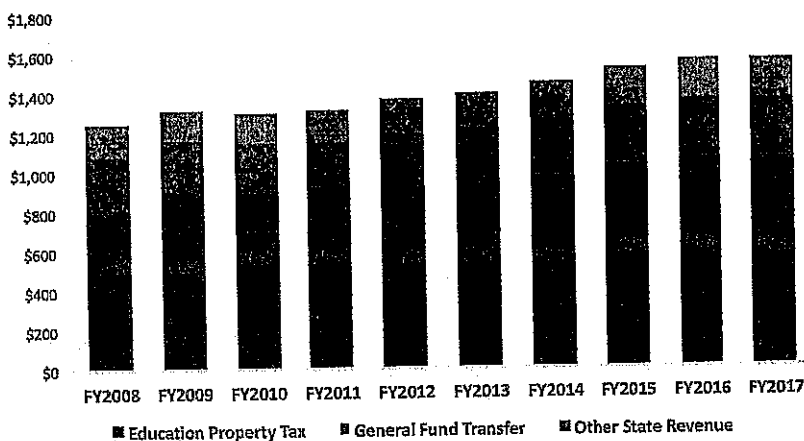
- Homestead Property Tax
- Non-Residential Property Tax
- General Fund/Other State Revenues

FY 2018 Education Fund Uses = \$1.58 billion



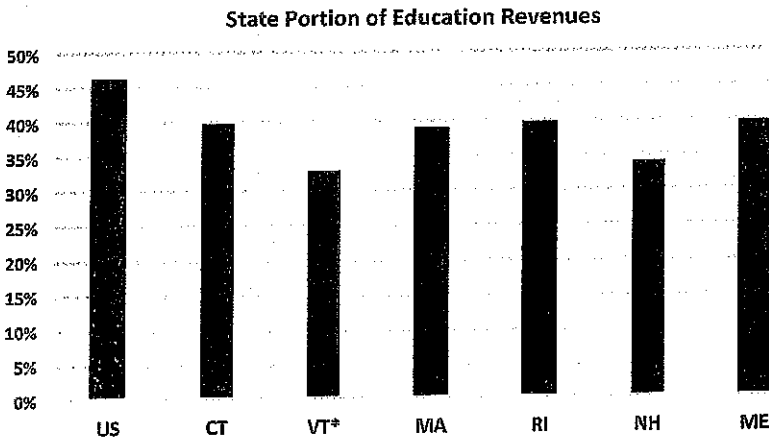
Source: Joint Fiscal Office, Education Fund Outlook, July 2017

Education Fund Sources 2008-2017



Source: Joint Fiscal Office, September 2017

State Share of Education Revenues by New England State



Source: NCES, Table 235.2, Revenues for K-12 Schools by Source of Funds, 2013-2014
 *VT Data based on Joint Fiscal Office analysis on Sources of Education Funds (slide 17)

Pressure to Increase Funding for Early Education and Higher Education

- **Blue Ribbon Commission on Financing High Quality, Affordable Child Care:**
 - Vermont should increase investments in child care by between \$145 - \$350 million

- **Vermont State Colleges:**
 - From 2008-2016, VT spent 16.2% less per student in the VT state college system
 - During that same time period, average VT state college tuition increased by 25.1%



Source: Center on Budget and Policy Priorities, *Funding Down, Tuition Up*, (August 2016)

Cost Containment Recommendations



Vermont
Superintendents
Association



Establish a Statewide Health Insurance Benefit for School Employees

- In Vermont, there is variety in total compensation provided to educators, depending on the region of the state and the socioeconomic makeup of a community.
- In order to ensure equity and sustainability in the health care benefits available to all school employees, the General Assembly should adopt a process for the negotiation of health care benefits at the state level by a council of school board members to apply to contracts that expire in 2019.



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Establish Target Equalized Pupil/Staff Ratios & Provide Support to Achieve Ratios

- According to the Vermont Agency of Education, changing the adult staff to student ratio from 1 adult for every 4.25 students to 1 adult for every 5 students would yield \$175 million in savings annually.
- Policymakers should convene a task force to establish staff to equalized pupil target ratios for specific categories of schools and school district configurations and develop recommended strategies for districts to help them meet targets.



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Explore State-Funded Retirement Buy-Out that Conditions Rehires on Achieving Ratios

- The VSBA/VSA recommend the creation of a stakeholder task force to explore the advantages and disadvantages of establishing a state-funded initiative in support of early or "on-time" retirement.
- Two conditions of a district's participation in the initiative would be a ***commitment to meet staff to student ratio targets by reducing total personnel*** through the retirement program, and a ***commitment to sustain these savings through future budgeting processes.***



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Establish Standards for Fact-Finders in the Collective Bargaining Process

- Fact-finders give much greater weight to regional teacher settlements than more meaningful economic factors, such as the condition of the local economy, the consumer price index (CPI), tax burdens, employment data, salaries or pay raises by community members, or measures of household and personal income.
- The General Assembly should modify 16 V.S.A. §2007 to require neutral fact-finders to consider only a statutory list of legitimate measures of a community's ability to pay.



Establish Guidelines for Reserve Funds and Budget Surplus

- Vermont law requires districts to report surplus amounts, reserve fund amounts, and information concerning the purpose and use of any reserve funds to the Agency of Education on an annual basis beginning in 2019.
- The VSBA will work with the Agency of Education, the Vermont Superintendents Association and the Vermont Association of School Business Officials to establish guidelines on the appropriate amounts and uses of reserve funds and the treatment of budget surplus amounts.



Approaching the FY 2019 Budget Cycle

- How can you structure the budget process in a way that supports administrators and board members in thinking differently about how resources are utilized?
- What steps can you take to demonstrate to your community and elected state officials that your system is operating efficiently?
- How will you caution members of the General Assembly against one-time approaches based in political expediency rather than sound policy?



Questions?



Notes:

Gov. wanted to hold ed spending at FY17 level,
77K students in public schools K-12.