

Education Legislative Report

January 21, 2014 – Issue #2

Governor Touts Administration's General Fund Budget Proposal and Urges Voters to Scrutinize School Budgets

Governor Shumlin delivered his fourth budget address last Wednesday, where he outlined a spending plan that increases overall spending by 5%, while at the same time closing the state's anticipated \$71 million General Fund budget gap without raising any income or sales taxes. Calling it a balanced and fiscally-restrained budget, the Governor stated, "It invests in areas critical to our most vulnerable and to our future job growth, while rejecting broad-based tax increases on hardworking Vermonters. It keeps our reserves full, and our pension contributions funded at the recommended levels. It matches Montpelier's appetite for spending with Vermonters' ability to pay."

The Governor's budget calls for increased funding for initiatives designed to move Vermonters out of poverty, new money to support drug abuse prevention and treatment, and additional resources for transportation, housing, and water quality initiatives. The budget proposes to close the \$71 million gap in funding between state expenditures and revenues through \$30 million in one-time receipts, a \$5 million reduction in debt service payments, and \$36 million from a variety of federal and special funds.

With respect to education, the Governor called for investments in higher education and urged the General Assembly to pass the universal access to pre-kindergarten bill that is currently in the Senate. After touting the progress made in education last session, especially Act 77, which increased dual enrollment and early college opportunities for high school students, he noted that he was "not at all happy" that Vermonters may see significant increases in their property taxes "based upon projections for local school spending."

"There have been reports of significant school budget increases proposed in communities large and small across our state," said Shumlin. "I urge Vermonters at town meetings across our state this year to carefully scrutinize school budgets that increase per pupil spending and grow faster than our incomes. Look hard to see if you can achieve savings for better outcomes at a lower cost. Remember, you have the power to determine your school budgets, but you can't make a difference if you don't participate."¹

In his budget address, the Governor also committed to addressing the perennial funding shortage for health insurance benefits for retired teachers. Noting that the state never

¹ The Governor's comments characterized increased property tax rates as entirely due to increased school spending. While it is true that school spending is a significant driver of education property taxes, there is more to increasing school taxes than sometimes meets the eye. Additional factors contributing to the rise this year include: a decline in the statewide education grand list for the fourth consecutive year, non-property tax revenues growing more slowly than education spending, student enrollment continuing to decline and a \$19 million shortage in the Education Fund that in prior years has been filled with surplus or one-time funds.

established a funding source for this benefit, Shumlin's budget allocates \$2.5 million in General Fund revenues, along with \$8 to \$10 million from the Supplemental Property Tax Relief Fund to help phase in a permanent solution to the \$20 million gap. The Governor is hoping teachers and school districts will "partner" with the state to come up with the remaining \$10 million in revenue.

Legislative Summit on Education Quality Focuses on Innovation in Schools

On Monday, January 13, the University of Vermont and Speaker of the House Shap Smith co-sponsored a Legislative Summit on Education Quality. The summit featured a keynote address by Tony Wagner, author of *Creating Innovators: The Making of Young People Who Will Change the World*. In his remarks to the legislators and education officials in attendance, Wagner noted that the new "innovation economy" of today demands that we reimagine public education for the 21st Century, by focusing on a set of 7 core competencies. They are as follows:

- Critical thinking and problem solving
- Collaboration across networks
- Agility and adaptability
- Initiative and entrepreneurialism
- Effective oral and written communication
- Curiosity and imagination
- Accessing and analyzing information

Wagner stated that there is a large gap between what is taught and tested in schools and those core competencies. He suggested that since what gets tested gets taught, we ought to be designing accountability and assessment systems that reflect the skills we know students need to be successful in today's world. He encouraged the audience to start with a sense of urgency, name the skills that matter most, identify models that work, and incentivize early adopters.

Wagner's presentation was followed by remarks from business and higher education leaders, who shared their concerns about Vermont public schools' ability to adapt quickly to meet the workforce demands of today. Dave Finney, outgoing president of Champlain College, started the discussion by stating, "In Vermont, the two-word phrase that stops progress is local control. Local control means local limitation." The other panelists noted that there are "pockets of excellence" in the state, but that we are falling short on uniform implementation of innovative practices. Following the panel, the audience heard from educators representing school programs across the state who are early adopters of the types of innovative practices Wagner recommends.

The day concluded with an education policy "research slam," where UVM researchers in the field of education shared their recommendations for high-leverage policy approaches, including: universal pre-k, a focus on student health and wellness, multi-tiered systems of support, technology integration, personal learning plans and family partnership, and refining our education funding system to help slow the growth of spending. After the slam, legislators

Published By: Vermont School Boards Association, Vermont Superintendents Association, Vermont Principals' Association, Vermont Council of Special Education Administrators, Vermont Association of School Business Officials and VSBIT

Attn: Nicole Mace, 2 Prospect St., Montpelier, VT 05602 (802)-223-3580

Page 2

formed small groups to discuss possible “initiatives the VT Legislature could take on in the next one to three years to support the learning of all Vermont’s youth.” Themes that emerged from those discussions included: better data on student performance across systems, incentives for “innovation zones,” and working with the federal government to develop an accountability system that encourages, rather than stifles, innovation.

The notes from the day’s discussion will be compiled into a final report that will be presented to the House and Senate Education Committees sometime this month.

Education Finance Discussion Heats Up

On January 14 at St. Michael’s College, Governor Shumlin and the General Assembly held an Education Finance Symposium for legislators, education and state government officials and public policy analysts. The symposium was organized by Larry Picus, who issued a [framing paper](#) in advance to help orient participants to some possible approaches “for modifications or changes that might create a stronger link between local spending decisions and a sustainable rate of statewide education revenue growth.” Those approaches include:

- Evaluating income sensitivity pricing
- Adjusting the excess spending threshold
- Computing the base amount and base tax rate for school funding based on what constitutes an “adequate” amount of resources to meet student needs
- Moving to a pure income tax based school funding system
- Addressing the complexity and limited connection between spending and tax burdens

In his opening remarks to attendees, Gov. Shumlin noted that Vermont has the most elegant and equitable funding system in the country, but suggested that since many residents are “feeling the squeeze” after several years of increased property tax rates, now is the time to evaluate whether there are ways to change the system to make it more sustainable and affordable over the long term.

Speaker of the House Shap Smith followed the Governor’s remarks by stating that the notion of the *Brigham* decision was that if education financing was equitable, we would have more equitable quality of education. Reminding the audience of the previous day’s Legislative Symposium on Education Quality, Smith said, “We cannot divorce the quality conversation from the finance conversation.”

A six-member panel of education finance experts provided their insights and feedback related to the overall functioning of our system as well as to the approaches put forward by Picus in the framing paper. The panelists expressed general enthusiasm for the scheme itself, suggesting it is a model other states look to when considering options to make their financing systems more equitable. Yet they also acknowledged that there are legitimate areas to examine, including: whether income-sensitized voters are too insulated from rising budget costs, if the small size of

our districts and low staff/student ratios “doom us to a high cost system,” how the complexity of the formula can be simplified to make the results more understandable to voters, and whether the current problems are a result of structural or cyclical issues related to the economic downturn.

After the panel, attendees were divided into three groups to discuss possible proposals for action. Several themes emerged from the wide-ranging discussions moderated by several of the panelists. First, there was general agreement that the fundamentals of Act 60/68 continue to work well – and that while some adjustments may need to be made, the system itself has “good bones.” Second, we as a state need better data to better inform the conversation, including: information about income sensitivity and voting behavior, measures of student performance to determine whether we are getting a good return on our educational investment, research on optimal school district and class size, and an analysis of what constitutes an “adequate” amount of money spent on education, given the ambitious goals we have for our students and schools.

Picus will summarize the results of the day’s conversation in a report to the legislature and administration by the end of the month.

House Education Committee Begins to Tackle Education Governance

At the end of the 2013 session, the Chair and Vice-Chair of the House Education Committee introduced [H. 544](#), a short-form bill titled “An Act Requiring the Merger of All School Districts into 30 New Districts.” In the opening weeks of this session, the committee heard two rounds of testimony related to education governance in Vermont. First they heard from Richard Cate, a former Commissioner of Education, who described his efforts to lead a statewide governance conversation during his tenure as Commissioner. In his testimony, Cate said that his desire to spur the discussion was driven largely by his observation that leaders in education had to spend too much time in activities not related to education, i.e., preparing, attending and following-up on school board meetings. Cate stated, “One of the greatest barriers to great educational leadership is a situation where superintendents have to respond to up to thirteen bosses.”

One theme of the conversation between Cate and the committee was the notion that school governance change should not be about saving money or closing schools, but about improving education quality. Cate suggested the notion of “local control” needs to evolve to accommodate changing societal definitions of community and the needs of today’s students. The challenge, he noted, was ensuring maximum input from communities while allowing for changes that enhance the quality of teaching and educational leadership across the state.

In a separate round of testimony, the committee heard from members of the 2008-2009 Vermont Transformation Policy Commission, who came to discuss the suggested changes in Vermont’s education governance structure contained in the Commission’s 2009 [Opportunity to Learn document](#). The report includes a couple of proposals that would create 13 or 20 regional education districts and eliminate supervisory unions. Pointing to the report’s findings that “larger districts offer an education system with greater resources that enable more flexibility to

fund learners rather than schools,” the witnesses stressed that these changes should be viewed as a strategy to improve education quality and not necessarily as a cost saving measure.

We expect the committee to continue discussion of the governance issue this week.

House Ways and Means Committee Continues Evaluation of H.164

Last week, the House Ways and Means Committee continued its discussion of [H.164](#), which would create a tiered education tax based on income and per-pupil spending per town, combined with a fixed statewide homestead tax on residential property. The fixed statewide homestead property tax would be considerably lower than the current base homestead property tax rate. The proposal has two main goals: to limit the property tax obligations of Vermonters with low, fixed-incomes but who own properties that have appreciated in value over the years; and to make it so more Vermonters would directly feel the effects of increased spending decisions. A concern among committee members about the current system is that income-sensitized payers (especially those below \$47,000) and renters have little incentive to hold school spending down, since increases effect them less or not at all.

While the committee made no definitive plans, most of the members expressed a strong interest in continuing a serious discussion of this proposal in the coming weeks. Most members said they didn't think it would be possible to make such significant changes to the education finance system this year, but that it would be possible to lay the groundwork for next year.

We will continue to follow, and report on, this and other education finance-related initiatives under discussion by the General Assembly.

Special Thanks

Our Associations wish to take this opportunity to extend our sincere thanks to outgoing Secretary of Education Armando Vilaseca for his many years of dedicated service to Vermont's children and to education in general. Armando's last event will be a luncheon with the State Board of Education on Tuesday, January 21.

Education-Related Bills

[This document](#) summarizes all education-related bills that have been introduced by one or more members of the Legislature as of January 20, 2014. The deadline for introducing new Senate bills has passed and the deadline for House bills is January 31. To read any bill's full text or see its status in the Legislative process, go to <http://www.leg.state.vt.us/database/status/status.cfm>.