

# Education Legislative Update

May 2, 2018

## **The Final Weeks of the Session – Education Funding & New Mandates**

As we head into the final weeks of the session, we are monitoring a host of significant bills that would impact Vermont's education system. They include:

- H.911** Overhaul of the education funding system
- H.27** Protect students from sexual exploitation
- H.897** Historic modifications to the special education funding and delivery system
- H.923** School safety and security
- H.675** Restorative justice policies and practices
- H.910** Changes to the open meeting and public records laws
- S. 261** Mitigating childhood trauma and toxic stress
- S.229** Special education funding and practice for independent schools accepting public dollars
- H.919** Expansion of obligations for career and technical education centers and public schools
- H.922** CLA changes for unified districts
- H.924** Appropriations for the support of government
- S.257** Miscellaneous Ed. Bill:
  - Modifications to PreK funding, delivery and administration
  - Radon mitigation
  - Afterschool programs
  - Ethnic studies standards and policies
  - Licensing of teachers
  - Statewide school employee health insurance

On April 17th, the VSBA, VSA, and VPA sent a message to legislative leaders regarding our concerns about the proliferation of education-related bills moving forward this session:

***"Please keep in mind that while all these new requirements on public schools are being contemplated, we do not have a Secretary of Education, fiscal pressures are mounting, and we are headed into the final phase of Act 46 implementation, which is likely to require significant work at the local level to respond to governance changes required by the state.***

***We are concerned that the proliferation of new initiatives and requirements is fundamentally diminishing our ability to focus on the core mission of public education - ensuring high quality instruction and supports for every student."***

In addition to the multitude of new possible requirements, of utmost concern is that the General Assembly and the Governor do not appear to be making progress on an agreement to fund our public schools. This means there is a growing likelihood that we will see another veto session over education funding this year.

Please be aware that the environment is very dynamic and much is subject to change over the next two weeks. We are unlikely to issue another legislative report until the session adjourns, but we will keep you updated with action alerts as bills begin to take final form.

In the meantime, please consider contacting legislators and the Governor's office if you have concern about the number of new requirements under consideration, and the lack of progress on the part of state leaders to resolve differences related to education funding.

You can access legislators' email addresses by SU [here](#). You can reach the Governor's office [here](#).

### ***Senate Appropriations Committee Considers Education Funding Bill***

[H.911 as passed by the House](#) proposes to change two funding systems: 1) Vermont's personal income tax; and 2) the education financing system. Since the House passed H.911, the Senate Finance Committee has been working on the bill. On April 30, the Senate Finance Committee voted to recommend its own, shorter version of H.911 which can be found [here](#). The bill is now in the Senate Appropriations Committee.

#### *Personal Income Tax Changes*

The Senate's version of H.911 includes many of the same personal income tax changes set forth in the House version which were made in response to federal income tax reform. The Senate Finance Committee adjusted the personal exemption amount (decreased from \$4150 in the House bill to \$4050 in the Senate bill) and keeps all current tax brackets rather than collapsing the top two income tax brackets as set forth in the House bill. Senate Finance also expanded the charitable contribution credit by allowing the credit (5% of charitable contributions made during the taxable year) to be used for all charitable contributions, rather than for the first \$10,000 in charitable contributions, as proposed by the House.

#### *Education Financing Changes*

The Senate's version of H.911 eliminates the following elements of the House bill: the school income tax surcharge, reallocation of Education Fund and General Fund sources, changes to the calculation of homestead property tax rates, changes to the calculation of property tax adjustments based on income sensitivity, repeal of the excess spending penalty, addition of teacher retirement to education spending and repeal of Act 46 tax rate limitations.

The Senate's version sets the property dollar equivalent yield for fiscal year 2019 at \$9,863.00 (House version sets the amount at \$8,500.00) and the income dollar equivalent yield at \$11,920.00 (House version does not set an income dollar equivalent

yield). The Senate version also sets the nonresidential property tax rate at \$1.606 per \$100.00 (House version set the amount at \$1.59).

### *Statewide Education Property Tax Bills*

The Senate version of H.911 eliminates the House requirement that municipalities send separate tax bills for (1) the statewide education homestead property tax and (2) municipal taxes. Instead, the Senate version requires that the statewide education property tax be billed by the municipality in a manner that clearly indicates the tax is separate from any other tax assessed and includes an itemization of the separate taxes, with an aggregated total of the taxes due.

### ***Governor Scott Proposes Ed Funding Plan***

Governor Scott proposed a plan on May 1 to fill a \$58 million gap in the Education Fund with one-time money in order to keep property taxes level. The sources of the funding include \$19 million from a tobacco settlement, \$20 million from state surplus revenues, \$7 million from reserves and \$12 million from other sources. The governor's plan can be found [here](#).

He proposes to pay the \$58 million back over time by asking schools to reduce educational staff over the next five years. If the funding gap is not filled this year, there will be a 5 cent to 7 cent increase in property taxes this coming fiscal year.

Governor Scott opposes a property tax increase. His administration asserts that its plan for a short term funding solution this year, combined with long term commitments to cost containment measures will stabilize taxes in future years. The plan calls for reducing school paraprofessional and teaching employees by 1,000 jobs over five years through retirements and other job vacancies. The administration estimates that the savings over the next five years would be \$262 million.

The governor's plan includes a task force to help schools reduce staff and restructure programs. Instead of a mandate to reduce staff, the administration will work with school boards, lawmakers and other stakeholders to increase the average statewide staff to student ratio from 1 to 4.25 to 1 to 5.75. Additionally, the plan includes a proposal to reduce the excess spending threshold for per pupil spending from the current 121 percent of the statewide average to 110 percent.

VSBA passed a resolution last fall to set up a task force to study optimal staff to student ratios for specific types of schools and districts and help districts meet the targets. The Governor's proposed task force differs from VSBA's resolution by eliminating any study

on the optimal ratio and mandating a specific ratio of 1 to 5.75 without any basis for the ratio or any tailoring of the ratio to specific types of schools and districts.

### ***Senate Education Develops Proposal on Statewide Bargaining & VEHI***

For the past week, the Senate Education Committee has been working on a [draft bill](#) that would make two significant changes: first, it would create a Commission charged with negotiating school employee health benefits that would cover all school employees. Second, it would change the composition of the VEHI board to be equally split between VT-NEA appointees and VSBA appointees. The bill is evolving on a daily basis, and the Committee has been hearing from different stakeholders as each draft is released.

The bill has changed substantially over the past week. The original version implemented the VT-NEA proposal, which would have dissolved VEHI and combined the entity responsible for designing and administering health plans and bearing the risk for the decisions it makes with the entity responsible for negotiating cost share. That proposal has now been replaced by a draft bill that retains VEHI, but changes the board structure, and tasks a separate entity with bargaining health insurance.

The Committee's approach to statewide bargaining for health insurance closely tracks a framework that was introduced to the Vermont Education Health Benefits Commission by the VSBA.

Our current focus is on helping the Committee understand that changing the composition of the VEHI board in the manner they are proposing is problematic for several reasons:

- The legislature should not dictate equal representation on the VEHI board, when school districts bear the risk associated with decisions that are made by that board.
- Advocacy organizations should not appoint members of the VEHI board.
  - The duties of a non-profit board are clearly spelled out in state statute – board members are required to be loyal to the organization and exercise due care in protecting its assets. If members of a board are appointed by advocacy organizations, then whose interests do they ultimately represent? The interests of their employers (or entity that nominated them), or the interests of the organization they govern?

You can read the most recent version of the bill [here](#). You can see the testimony of the VSBA, which raises other areas of concern with the current approach [here](#).