

Potential Cost Containment Ideas from VASBO

Introduction

School business officials have intimate knowledge of the costs of their districts and where funds are spent. We are not education practitioners who are qualified to make direct spending decisions for children nor do we participate in the politics of education funding and spending. However, VASBO has a body of financial knowledge, experience, and a common sense that can be brought to bear for the benefit of a cost containment discussion. The suggestions below are meant to be possibilities and potential ideas but not all of them make sense to all districts with varied organizational structures; the suggestions below typically can stand alone. We hope unpalatable or impractical ideas would not color the reader's perspectives toward the document.

VASBO wishes to convey that these cost containment ideas are broad and some may require long term planning and action. We hope these suggestions would replace annual short term "fixes" like Health Care Recapture, Two-vote requirement for spending above cost of living, and Challenge for Change. These short term soft caps don't change the trajectory of expenses and distract from more effective, longer term planning and actions.

Cost Containment Considerations:

Act 46, Act 49, and Act 85

Act 46 was valuable legislation that created larger organizational structures that could consider more cost containment ideas across schools rather than small, often disconnected or independent school districts. However, Acts 49 and 85 backtracked on the AOE's authority to require consolidation which resulted in disconnected entities merging for the tax incentives with little opportunity for long term efficiencies of scale or resource sharing. We recommend the legislature resist the urge to change, tweak, improve, or eliminate legislation that planned on a multi-year timeframes to allow for savings to accrue.

Staffing Ratios

Vermont schools have experienced declining student populations yet staff reductions have not materialized commensurate to student decline. We are not suggesting that staff is underworked because there is always work to be done. But, are we investing in the right staff model for student needs or continuing employment under a status quo model?

The Agency of Education (AOE) Secretary of Education and Vermont Superintendent Association along with other policy-making parties should collectively develop minimum, maximum and ideal ratios for all levels of staffing using a multivariate approach. These are not one size fits all metrics, but are based on a set of relevant factors for each school position, and may include socioeconomic factors, IEP prevalence, building size and age, geography, number of students, number of employees, number of schools, number of grades, number of boards or board members, etc.

These ratios could be phased in over 3-5 years, but should become mandatory with reporting requirements to communities and AOE for ratios out of range (below minimum or over maximum), including a waiver provision for geographical isolation based on physical barriers such as mountains, islands, and lakes.

Employee attrition is the best opportunity to evaluate or change staffing positions to save money, rethink the service delivery model, and meet the changing needs of the students and school. The State should consider a one-time buyout program for teachers, with the condition that an offsetting job is not filled.

Governance changes under Act 46 empower schools to “think differently” to re-configure or consolidate with nearby schools, introduce planned multi-graded or ungraded classroom models, create magnet schools, or balance diversity including race, poverty, and IEP needs across schools in order to optimize ratios.

Health Insurance Benefits

The Legislature is a trusted body that protects the interests of people. Health insurance for VT public education employees should be negotiated centrally to achieve Statewide savings, equity among employees, and savings in legal costs and administration time for more efficient negotiations. Health savings accounts should be required for IRS eligible participants. Employees should pay 20% for premiums with an escalator rising ½ percentage point per year to reach 25% after 10 years. The Legislature’s benchmark plan is excellent and its introduction immediately simplified a number of negotiations around the State. The Legislature could centrally handle the terms for health care for public education employees as it handles pensions today.

OR – simply reference our letter to the VT Health Commission dated October 17, 2017 – attached

OR leave off as we have already stated our thoughts?

Mandate Economic Analysis of School Services Every 5 Years

The most significant savings potential in VT public education is the elimination of duplicated services among nearby schools. If a school's services, or superset of its services, can be provided at a nearby school having seating capacity and within a reasonable transportation distance, the programs/schools should be combined. In effect, this is an analysis of whether there is a legitimate need for the State to fund a particular school location. Any school with fewer than 15 students per grade should be required to participate in the review. Analysis submissions could be made to the AOE or Board of Education and they would receive permission to operate another 5 years if they could show that their programs could not be combined with those of a nearby school.

Private School Choice for non-operating school districts

Vermont has a statewide education funding formula and we have capacity in our public schools. There should be a process for funding private school tuitions with state revenues that considers public school capacity first.

1. The legislature should define geographic regions, perhaps matching tech center regions, for families to choose schools for their children.
2. If the public schools in the defined region do not have capacity to accept students then in-state private schools are permissible.
 - a. Furthermore, private school tuition would be capped at the announced average public school tuition.
 - i. Unless, the private school chooses to complete the same Agency of Education collections necessary to substantiate their actual costs per student in the allowable tuition formula.
 - b. If public school staffing ratios become mandated private schools choosing this option would be required to meet these ratios too.
3. Public funds should not be used to fund any out of state private school.

Small School Grants

Act 46 should continue to phase out small school grants and any extension under Act 49 should be removed. The argument that "the local school" is the center of the town is not compelling when there are many small towns without schools that function successfully.

Maintain the Efforts to Moderate Special Education Costs

Reducing or moderating the cost of special education is the State's most difficult cost management and containment problem. The AOE has been trying to lower special education costs through various efforts and that work is valuable and should continue. In addition, the AOE should consider "taking over" the IEP process where resources are now prescribed in a fashion that has no centralized moderation or equity. The IEP team could be headed up by an AOE special education employee(s) to assure standardization of treatment and expense. The costs of these new AOE staff could be

allocated to districts by fee or paid directly as it is recognized that the AOE has no staff or budget now available for this new work. Their work is likely to save far more money than its cost while providing consistent and equitable services throughout the state for the vulnerable students.

The special education funding model needs to be studied to determine if the current model encourages spending, which some parties believe. The alternate position is that special education costs vary widely among districts/SDs/SUs and only a reimbursement model can fairly fund such work. A joint study of other State funding models and an in depth review of the current system by VASBO, VSA, and VCSEA could be useful.

Single General Accounting System Statewide

The AOE is working on the vendor selection of a single statewide financial reporting system. The cost of the system can be centrally negotiated and then paid by districts as they install the system over a period of a few years. Data collections will be simplified, reporting streamlined, many man-hours could be saved, and training of employees on the same system would create a more interchangeable accounting workforce. The collected body of data is likely to be of a higher quality than from today's disparate systems. Total cost over time is likely to be reduced. The same central selection and pricing negotiation can be done with a student information system, Medicaid processing system, and special education (GoldView type) system. These systems could feed a statewide data management system. –See VASBO attached letter of support to AOE

Study Centralization of Information Technology Functions

IT centralization can sometimes offer economies of scale. Technology in schools continues to cost more annually combined with a trend to have more services provided in the cloud (meaning remotely over the Internet). It may be that VT school systems should create their own cloud (small VT data center) if that would eliminate duplication of equipment, people, and software at the SU/SD level. Issues of cyber security, network security, backup, and computing redundancy affect all districts. VASBO members see more and more investment going into technology infrastructure that might be better utilized and cost shared if centralized. It is possible that larger SU/SDs could serve as regional data centers for smaller SU/SDs to avoid duplication, if one central location is inadvisable. The State should fund an outside study of this topic with controlled SU/SD input as there are many current stakeholders.

Reimagining delivery of Non-core Services – best linked with attrition

It is possible that activities like transportation, property management, food service, and many of the routine business functions can be done differently and at a lower cost than our present systems allow. Attrition of key employees in these areas should initiate an analysis on case by case bases. The key is to find scope and scale in the delivery of these non-core services to drive efficiency, purchasing power, and economies.

This can be achieved through outsourcing, as well as consolidation and centralization. Analysis on a case by case basis should be done. Evaluation should be pursued with a bias of cost savings, not autonomy or control. In far too many cases it is our perception of differences or exceptionalism that lead to redundant solutions and services among neighboring districts and across the State.

The present number of students, the total number of schools, and the relatively small geographic region that Vermont comprises, all point toward significant possibilities for consolidation and centralization. In fact, consolidating and centralization may have the largest cost advantage since most outsourcing will involve partnering with a private business that would have taxes and profit to consider in their costs.

With all these scenarios it is important to recognize that doing our work differently can often lead to the reduction of jobs or create jobs outside of districts at lower wages and fewer benefits, each of these may be a public policy concern. However, when financial situations become crisis-level, all alternatives must be on the table for discussion – including giving up our control on the delivery of non-core services.

We recognize that outsourcing can lead to jobs with lower wages and benefits than Vermont public education employees and that is a public policy concern and not necessarily a public education problem

Teacher Endorsements and Licensing

Vermont's licensing requirements coupled with Federal teacher quality standards impede schools from creating STEM/STEAM programs, providing multiple pathways to graduation, engaging interdisciplinary studies like math/science/technology or English language/history, due to licensing restrictions. VT licensing standards should be reviewed and updated to meet the changing landscape of servicing students, especially in middle and high schools. The requirement to have a licensed teacher by each discipline imposes overstaffing specifically in math/science, where a teaching shortage exists, and where part time candidates are not available. One example of a quick saving would be a joint math/science endorsement.

Conclusion

The changes in governance through Act 46 allows us to rethink and reimagine our educational service delivery model to meet the current needs of students and tax payers, that include "right sizing" our programs and services, utilizing collaborative

efforts, and technology to continue to support an educational system that delivers for students and tax payers.

We recognize, many of these recommendations are hard. They require difficult conversations with all stakeholders including employees, parents, and tax payers. These face to face conversation will create challenging human relations, anxiety, and if handled poorly mistrust. We are not recommending the implementation of all these cost containment ideas in one budget cycle. We are recommending all educational leaders consider these recommendations seriously as opportunities to rethink, resize, re-evaluate, and re-design our service delivery. When the financial situation becomes a crisis, all alternatives must be on the table for discussion and consideration.