

**A 5-YEAR PLAN
TO IMPROVE EDUCATION QUALITY & AFFORDABILITY WHILE ACHIEVING TAX RATE STABILIZATION**

Introduction:

For years, Vermonters and Vermont's economy have struggled under **nearly non-stop increases in state education property taxes**, and if we do nothing, we face a 6-cent education tax increase that the Governor will not accept, because Vermonters cannot afford it.

Vermonters also want to see the quality of education improve. **Governor Scott has consistently proposed structural reforms that will generate savings to be reinvested in improving education quality and lower tax rates.**

The Governor has offered another plan to revitalize our education system. This plan is intended to be the basis of a bipartisan consensus and is built on ideas the Legislature, the Administration and education groups have already offered.

What the Plan Achieves:

This is designed to be a consensus plan that's **built on ideas from the Scott Administration, Legislature, and education stakeholders**. It achieves the following:

- Generates almost \$300 million in total savings over 5 years, which can be reinvested in more and better opportunities for early care & learning, K-12, technical and higher education as well as lower tax rates;
- Stabilizes statewide property tax rates for 5 years;
- Allows education spending to grow sustainably each year based on the average projected increase in grand list value of 3.25% each year;
- Fully funds the school budgets local voters have approved for next year;
- Sets Vermont on a stable and predictable 5-year trajectory allowing local school districts to take full advantage of the governance changes made under Act 46; and
- Closes the FY19 Education Fund gap and prevents future deficits.

Why We Must Act Now:

We all share a goal to provide our kids with the best education possible and have committed tremendous resources to K-12 education. The challenge lies in **an old and inefficient infrastructure, which is diverting tax dollars away from kids**. **Here are some key facts:**

- Our K-12 infrastructure was built for more than 100,000 kids. Enrollment has declined to 76,000 in the last twenty years – a decline of about 27,000 students. We spend \$1.8 billion to educate these 76,000 students.
- The U.S. Department of Education predicts Vermont student count will drop below 70,000 by 2026.
- Vermont's school employee staff-to-student ratio has shrunk to 4.25 to 1 – the lowest in the nation. Slightly increasing this ratio would produce tens of millions in savings while keeping our ratio among the lowest in the nation. And this can be achieved through attrition (retirement and voluntary departures).
- From 2006-2015 (years with most comparable and available education and healthcare spending data), spending per equalized pupil grew at a faster rate than growth in healthcare costs.
- According to the National Education Association, in the 2015-2016 school year, **Vermont's per pupil expenditure was \$23,557** – over \$2,000 more per pupil than New York who spent the second most. This compares to a **national average of \$11,787 per pupil**.
- Looking at the "National Assessment of Educational Progress," Vermont students performed about 2 percentage points better than the national average. Yet Vermont's per-pupil spending is double the national average.

Frequently Asked Questions:

If we have a deficit, how can we hold property tax rates level this year?

The proposal is a comprehensive approach that, if adopted, will use funds available now ([see details here](#)) to do the following:

- Eliminate the deficit in the Education Fund while allowing property tax rates to remain level for the second consecutive year;
- Institute reforms that – over a 5-year period – will make the education system much more efficient.
- Generate nearly \$300 million in savings in Year 5 – money that can be invested in improving education opportunities (early care and learning, tech ed, higher ed) and/or used to lower tax rates.

As savings from reforms accrue in fiscal years 2021 through 2024, the Education Fund will transfer the money back to the General Fund and special funds to repay the FY19 investment. A similar approach was taken by Treasurer Beth Pearce in FY15 to sure up the teachers' retirement fund – this plan proposes to repay that FY15 obligation as well.

How will the savings be generated?

This bipartisan plan provides a roadmap for both savings AND sustainable increases in education spending, that don't require non-stop tax hikes. **That package entails:**

Education Fund Savings Proposals							
(in \$millions)							
	Background/Source of Proposal	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Revenue upgrade and carryforward	<i>Favorable Revenues</i>	\$2					
Phase in a slight increase of student/staff ratio through attrition and voluntary departures	<i>Sec. Young January 18, 2018 Memo to Rep. AnceI, VSBA Resolution, VTNEA projection</i>		\$32	\$42	\$51	\$63	\$74
Transitions to statewide healthcare bargaining	<i>2017 Governor Scott Proposal/VEHBC Recommendation, H.858</i>		\$6	\$12	\$14	\$14	\$16
Transition to more effective Special Education payment method	<i>H.897</i>		\$2	\$8	\$17	\$25	\$34
Property Tax Adjustments changes to new homesteads established after July 1, 2018	<i>Sec. Young January 18, 2018 Memo to Rep. AnceI discussed income sensitivity reform, including housesite value</i>		\$1	\$1	\$2	\$3	\$4
Reduce excess spending threshold gradually over 5 years (beginning in FY20)	<i>Sec. Young January 18, 2018 Memo to Rep. AnceI advanced a similar reduction in the threshold</i>		\$3	\$5	\$8	\$9	\$10
House site value from \$500k to \$400k (H.911)	<i>H.911 - House passed</i>	\$2	\$2	\$3	\$3	\$3	\$3
Total savings (\$ millions)		\$4	\$46	\$71	\$95	\$117	\$141
Net investment (\$ millions)			-\$10	\$7	\$50	\$103	\$128

Reducing ratios, and changing special ed funding and income sensitivity make me nervous – what's the impact?

We understand the concern. The Governor directed his Administration to build a plan with bipartisan ideas that focus on improving efficiency to expand educational opportunities and improve outcomes. This isn't about cutting, it's about improving the efficiency and capacity of the education system so our kids see more value out of every dollar we invest.

But how can you do that when you're increasing ratios?

Importantly, this plan relies on **lowering ratios through naturally-occurring attrition and voluntary departures**. Attrition is a natural opportunity to adjust the system to the steady decline in students we've

Frequently Asked Questions:

experienced – and will continue to experience – for decades. A recent VT-NEA Economic Analysis projected attrition of approximately 1,000 Teachers and Educational Support Professionals (ESP) per year. The Administration plan estimates vacancy savings from less than half that number. Finally, **Vermont's ratio would still be among the lowest in the nation.**

But what about special ed and our most vulnerable students?

A UVM study concluded that switching to the proposed funding model would **provide better outcomes, efficiency and value.** The **savings do not result from reduced spending** on special education but rather from more effectively managing resources at their current levels.

Will the changes to income sensitivity hurt people who are currently benefiting?

The Administration's proposal – which builds off work in the Legislature's H.911 – is designed to **focus the benefit on lower income Vermonters.** In addition, it **will have no effect on current recipients** (who are grandfathered in).

Is it too late to achieve all this for Fiscal Year 2019?

We can do this now because it's a plan based on ideas offered and developed this session. All these ideas have been discussed throughout this year (and many for longer than that), and many are already contained in bills supported by the House and Senate.

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