

Voices for Vermont's Children

Promoting public policy that enhances the lives of children and youth in Vermont



Asking the Right Questions About Vermont Schools

Providing a good public education for our children is one of the most important things we, as a society, can do for our next generation. Good schools serve not just our children, but promote thriving communities and economic development.

Vermont is proud of its small community schools, and Vermont has achieved a series of high marks in national measures, including standardized tests scores, rating of teachers, SAT test scores and music and the arts.¹ Yet, the job of educating Vermont's children is a challenge that is increasingly complex.

The evolution of public school funding in Vermont, and the importance of local school board decision-making

When Act 60 was passed, in 1997, it created, for the first time, a statewide property tax. Along with the statewide tax, considerable effort went to the maintenance of local control. Policy makers recognized and respected the benefits of having local school boards make local decisions on how much to spend on their schools. With Act 60, the final say on whether or not to spend that money remains with the local voters who, in voting an increase in their budget, vote a corresponding increase in their education tax rate.

The system was designed so that local school boards, who are best able to understand specific factors influencing school costs, design their budgets and go to their community with their explanation and request for approval.

If local voters feel that the budget does not reflect their spending priorities, they vote the budget down and the school board must make a revised proposal.

The Vermont Superintendent's Association's unofficial tabulation of approximately 275 local school districts voting each year since

How Vermont Pays for Its Schools
Vermont finances its public schools with a system that was created by Act 60 in 1997. The law established the state Education Fund, financed by a statewide property tax and other statewide revenues. The Education Fund pays for the education of all Vermont public school students.

Act 60 was amended several times, and in 2003 Act 68 made the most significant changes to the original law. The basic concept remains. Within the structure of Act 60/68, local school district voters choose how much to spend on their children's education.

Higher spending per pupil in a district results directly in higher taxes in that district. In every town, the same spending per pupil results in the same tax rate. A more detailed description of Act 68 can be found in *A Citizen's Guide to School Funding: Vermont's Act 68*. <http://www.voicesforvtkids.org/publications/a-citizens-guide-to-school-funding-vermonts-act-68/>

¹ Success in Vermont Schools 2007- 2008 from Vermont Superintendents Association, Vermont Principals' Association and Vermont School Boards Association. <http://www.vtvsba.org/success.pdf>

Voting on Local Budgets

Vermont is one of the few states (along with several others in New England) where local school district voters can decide directly on their school budgets.

According to the Vermont School Boards Association, only Connecticut, Vermont, Maine and New Hampshire require local voter approval for the first dollar spent on education. Other states either allow budget increases without any voter input, allow boards to set budgets up to certain limits without seeking voter approval and then require approval for amounts above the limit, or have some limitation on tax rate increases.

1990, show a range of budget defeats from a high of 51 in 2003 to a low of 8 in 2004.

Thus, the basic mechanism for controlling school spending is the ability of the community to vote down its budget and to send the school board back for another try.

If a community feels the cost of the school is justified to provide the educational services that the school is delivering, they will vote yes to its budget. And, they will vote yes to increase their tax rate that matches an increase in spending.

Since 2004, the rate for passing school budgets has been at least 92%², which leads to the conclusion that voters are satisfied with the way school boards are budgeting for schools.

Spending and Costs — two elements of the equation

The issue of funding public schools can be approached from the cost side — looking at what contributes to increases in the cost of maintaining the local school; or from the spending side — how much has the per pupil spending increased since the previous budget cycle. It is important to consider both when looking at education funding.

Spending

When Act 68 passed in 2003, policy makers were reacting to the spending side of the issue by adding a penalty for “excess spending”. Any spending per pupil (not counting spending for capital construction) that exceeds 125% of the statewide average for the prior fiscal year is penalized. This was the first time the state had imposed any kind of spending restriction on the local voters. School districts could continue to spend above the thresholds, but they would end up with a higher tax rate because of the added penalty.

Cost

Then, in 2007, it looked like policy makers were going to address the cost side by looking at the factors driving increases in the cost of educating Vermont students. As the price tag has grown for health care, transportation, energy and state and federal mandates, school districts have been struggling to hold down their budgets.

First, the House Education Committee began the legislative session by stating three questions to guide committee discussion and deliberation:

1. What do we expect from our schools?
2. What is the most cost-effective way of meeting these expectations?
3. What is the fairest way to pay for this?

Then, the Senate Health and Welfare Committee held a hearing with Senate and House Education Committees to examine services regularly provided by school districts that clearly could be defined as human services and logically would be funded from state general funds or other sources other than the

2 Budget Action Comparisons – 2007 Unofficial results tabulated by the Vermont Superintendent’s Association.

local school budget. Speakers at the hearing gave examples of cost shifts affecting school districts, such as requests for schools to provide services that a family's health insurance would not cover, or federally mandated special education services that are not covered fully by federal or state funds.

Yet, In spite of the original focus on the cost drivers behind increases in school spending, policy makers decided to address only the spending side. The result was the passage of Act 82 at the end of the 2007 legislative session.

Act 82

In passing Act 82 in 2007, the legislature and the governor created a mandate for local school districts: Effective for FY2010 school budgets (those voted on in the spring of 2009 for the school year beginning in the fall of 2009), any proposal to spend over an amount calculated by a mathematical formula will require two separate votes from the local voters in order to pass their local school budget.

A school district will be required to have two separate votes if:

1. The district's prior year education spending per pupil is greater than the prior year state average and
2. The district's proposed education spending per pupil exceeds the district prior year's per pupil spending by more than a specific dollar amount (called the "Maximum Inflation Amount").

The Maximum Inflation Amount is a specific dollar amount calculated statewide based on the statewide average per-pupil spending amount times an inflation percentage. Thus, the Maximum Inflation Amount is the same number for every district regardless of that district's current spending per pupil.

If a local school board seeks to increase spending above the Maximum Inflation Amount, it will be required to do so via a second article on the school district warning. School districts that in the prior year did not spend more than the statewide average, can propose a budget increase of any size in a single vote, as they do now.

Act 82 requires the following exact language in the warning of a school district that has to have two separate votes:

"School Budget Question #1: Shall the voters of the School District approve a total budget in the amount of \$_____, which includes the Maximum Inflation Amount of education spending?"

"School Budget Question #2: If Question #1 is approved, shall the voters of the School District also approve additional education spending of \$_____?"

Vermont is proud of its local schools and its citizens serve for little or no pay on their local school boards. Community members struggle with steep increases in health care costs and other factors over which they have no control. When they are setting budgets, there is only a small fraction where they have

An Illustration

Using numbers based on FY08 budget calculation, the formula would:

- Take FY07 statewide average per pupil spending **\$10,075**
- Multiply that number by **4.32%** (1% more than the increase in the New England Economic Project cumulative price index)
- Apply that percentage to the statewide per pupil spending (\$10,075 for FY07) **\$435**

Thus the Maximum Inflation Amount of **\$435** is the same for all districts.

Every district whose previous year per pupil spending is higher than the state average must have two votes if it proposes a budget with an increase of more than that number — in this case, more than **\$435** per pupil.

discretion and often have to cut needed services. Forcing two separate votes puts an added burden on local school boards, especially with the mandated wording carrying an implication that the second vote is for extra spending.

Instead of penalizing communities struggling with escalating costs of key elements of providing education, policy makers should return to the questions asked by the House Education Committee in 2007 and develop real solutions based on the answers to those questions.

Recommendations

1. Repeal the two-vote mandate for voting on local school budgets.

Voices recognizes the effectiveness of local community members serving on school boards and wrestling with the challenge of providing education for all students in the community in the most cost effective way. Vermont communities want control of their local budgets and state-mandated obstacles to passing a thoughtfully-composed budget is arbitrary and works against our schools.

2. Address the issues that are driving increases in costs at the local level.

Some of the factors impacting school costs are health insurance, fuel costs and the growing cost shift to schools from human services programs for services such as special education and counseling and health services. The average increase in education spending since 2005 was 5.5%³. For example, during the same period, the cost of K-12 special education increased an average of 6.6%⁴, and the cost of health insurance for school personnel increased an average of 8.1%⁵.

3. Provide promised funding at the federal level.

Although Congress originally committed to provide forty percent of the cost of states' special education services under IDEA, they have never funded at that level — historically providing around eight percent⁶. In addition, the federal No Child Left Behind Act mandates that all children meet certain test-based standards in a proscribed period of time and adds significant testing and reporting requirements to the responsibilities of the public schools. Yet the resources to meet those additional mandates have lagged behind their cost⁷.

Additional resources from the federal government would have a significant effect on the cost side of school finance. Federal policy makers should provide adequate funding to fulfill their commitment to special education, for the requirements of the federal No Child Left Behind Act and other federal programs such as Title I⁸.

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3 Success in Vermont Schools 2007- 2008 from Vermont Superintendents Association, Vermont Principals' Association and Vermont School Boards Association. <http://www.vtvsba.org/success.pdf>

4 Passing the School Budget Workshop, January 2008 Vermont School Boards Association - slide 14 <http://www.vtvsba.org/download/download.htm>

5 Passing the School Budget Workshop, January 2008 Vermont School Boards Association - slide 13 <http://www.vtvsba.org/download/download.htm>

6 Funding Mechanisms in Special Education Center for Applied Special Technology (CAST) http://www.cast.org/publications/ncac/ncac_funding.html

7 No Child Left Behind: Funded or Underfunded? http://www.newamerica.net/programs/education_policy/federal_education_budget_project/nclb/funding

8 <http://www.ed.gov/programs/titleiparta/index.html>