

To: Senator Ann Cummings, Chair, Senate Committee on Finance
Senator Brian Campion, Chair, Senate Committee on Education
Senator Jane Kitchel, Chair, Senate Committee on Appropriations
Representative Emilie Kornheiser, Chair, House Committee on Ways and Means
Representative Peter Conlon, Chair, House Committee on Education
Representative Diane Lanpher, Chair, House Committee on Appropriation

CC: Heather Bouchey, Interim Secretary, Vermont Agency of Education
Craig Bolio, Commissioner, Vermont Department of Tax

Re: Education Financing and Current Projected Cost Pressures

January 24, 2024

Committee Chairs,

We are writing to you on behalf of thousands of Vermont business owners to express our collective concern regarding the potential implications of the current challenges in education finance for small businesses in our community. We appreciate your diligent efforts to remedy unintended consequences and compounding factors that have brought us to the brink of an unsustainable increase in taxation.

We are writing today to urge immediate action to address this issue within the Budget Adjustment Act.

The last four years have left our state's small businesses in a compromised and fragile position as they struggled through the global pandemic, which precipitated impacts such as higher interest rates, supply chain issues, a shrinking workforce, and rising healthcare costs. They've also seen growth in expenses due to inflation and a new payroll tax levied in the past legislative session. All of this has been compounded by extreme weather events and numerous other factors outside of our members' control.

We fully understand the intricacies faced by the state in managing education funding, and we acknowledge the crucial role of a well-funded education system in shaping the future of our society. However, we are deeply troubled by the prospect of any funding gaps disproportionately affecting Vermont business owners.

As you are well aware, this is the result of a combination of factors, including unintentional incentives embedded in Act 127 for schools to exceed the 5% cap, the disappearance of one-time pandemic-era funding that was utilized to expand positions in schools, persistent capital construction underfunding, and the rising cost of healthcare. This confluence of challenges poses a significant threat to the stability of small businesses that form the backbone of our local economy.

Both the Governor and Legislature have acknowledged they created this problem; however, putting this on the shoulders of Vermont's businesses cannot be the solution. We believe that fiscal restraint must be a critical component of the ongoing discussion. It is imperative that we rein in the growth incentivized by Act 127, wherein communities are incentivized to overspend.

We urge you to remedy the situation as early as legislatively possible in the Budget Adjustment Act by;

- **Clarifying the intent of the 5% cap to be applied to those districts with a dramatic change in pupil weighting due to Act 127,**
- **Create penalties for districts that spend in excess of 5% while not meeting the newly defined intent, and**
- **Provide a policy avenue for districts currently on course to overspend to reverse course.**

It is imperative to use the BAA as the vehicle for these corrections as a timely message needs to be sent in statute. We cannot afford to let communities follow the perverse incentives unintentionally provided the current situation to perpetuate what was initially intended as temporary spending. It is crucial to exercise prudence in long-term infrastructure investments, especially when the number of children in our schools has decreased to historic lows and is not projected to grow. The Joint Fiscal Office has provided the legislature with a list of levers to curtail education spending, and we request that you implement these changes during this legislative session so we do not continue to find ourselves in this situation.

We are confident that, through collaboration and open communication, we can work towards a solution that ensures the well-being of both our education system and the small businesses that contribute significantly to our community's prosperity.

Sincerely,

Lake Champlain Chamber
Vermont Chamber of Commerce
Vermont Retail and Grocers Association
Associated General Contractors of Vermont
Central VT Chamber of Commerce
VT Ski Areas Association
National Federation of Independent Business/Vermont
Associated Industries of Vermont
Vermont Lodging Association
Lamoille Economic Development Corporation
Franklin County Industrial Development Corporation
Barre Granite Association