

Education Financing Again

Testimony of John McClaughry, VP Ethan Allen Institute and former vice chair of the Senate Education Committee, before the Vermont Tax Structure Commission, Montpelier August 29, 2019

Here we are again. The legislature first seriously addressed the problem of financing public education in 1947 (the flat grant system). That lasted until 1964. Then came the Simpson formula (1965-68), the Miller Formula (1969-1982), the Morse-Giuliani formula (1983-1987), the Foundation Plan (1988-1997), and Acts 60 and 68 (1998 – present.) All of these diverse formulas were an attempt to answer the question: who can we make pay the bill to feed public education? Colloquially, this was called “how feed the monster?”

Alongside these formula debates there has been a half-century concerted effort on the part of education interests, and governors, to encourage and ultimately force the reorganization of public education through consolidation, in the name of cost containment. Too many small schools, too many small classes, too many teachers, too many superintendents. That cause triumphed in 2015 with Act 46. When Act 46 finally plays out, is it likely to produce cost containment? Almost certainly not, although it will make centralized control of the system less difficult.

Our pupil count has dropped from 105,000 in 1997 to 70,000 today, and we have more teachers, more staff, the lowest pupil to staff ratio in the country, and more spending than ever before. Something here doesn't compute.

Finding new ways to squeeze more money out of taxpayers to fill the Act 60 Education Fund to the level required by local spending decisions is a chronic exercise. So also is the idea of achieving cost containment by having the Agency of Education issue mandates and penalties on local districts to force efficiency. That will inevitably lead to a the complete state takeover of public education,. Vermont will resemble Hawaii, where the teachers union controls the legislature that controls the state agency that controls all of the schools that control the pupils.

This Commission isn't charged with recommending radical changes in Vermont education. But I want to make the point that a system of 350 schools in maybe 65 larger districts serving 70,000 pupils scattered over 9,600 square miles is a challenge that will surpass the talents of any Education Czar, even one equipped with the coercive and fiscal powers of the state. Such a system would emphatically not serve the needs and interests of the schoolchildren of Vermont. It would forego the benefits of consumer choice and provider competition, which are essential to parental satisfaction and wringing out inefficiencies that come with any large top-down bureaucracy trying to impose its will over a widely dispersed service area.

From here on I am going to quote from some of my 55 commentaries and two major reports on Vermont education.

[2003] Legislators should quit looking for ingenious new ways to feed the public education monster. Vermonters need a Theseus who will demand that our tax dollars be used efficiently to produce good educational outcomes, and not merely preserve the power, pay and perquisites of an overly expensive Act 60-funded near-monopoly education system.

[2003] What legislators have not yet grasped is that by centralizing education finance through the state, and putting the state in charge of cost containment, they are well on the way to creating One Big School System. They are now trying to make that system more efficient through local district consolidations, spending caps, system-wide teacher contracts, joint

purchasing, combined facilities usage – all the techniques that people in charge of any big system employ to squeeze out inefficiencies and reduce costs.

It is nearly impossible to profitably manage a far-flung and diverse business empire from the top. Trying to do that leads to one-size-fits-all rules, bureaucratic decision making, expensive middle management deadwood, loss of employee initiative, slow response to competition, and less (or no) profit.

Vermont policymakers should start paying attention to what works in the business world. Instead of trying to centrally manage One Big School System modeled after the old Soviet economy, they should go to a tested and efficient market model: informed and empowered consumers choosing education services that meet their children's needs from the offerings of many competing providers.

That is the only real reform that promises education responsive to the diverse needs of all Vermont children. And since competing independent schools (not to mention homeschooling) are almost always less expensive than government-run schools, market-based education is the only reform that offers any real restraint on taxpayer costs.

That would, of course, mean ending the state's government-run education monopoly, and putting parents, not government employees, in the driver's seat. Regrettably, that is also the one solution that is not under active consideration in Montpelier.

Why? Because it attracts fierce opposition from the groups that have long been feeding off the government school monopoly. At some point – soon – legislators will need to decide whether they will start acting in the interests of school children and taxpayers, or whether they will go on meekly supporting the well-organized public education interest groups that are making out very well from a taxpayer-funded school monopoly, and are almost fanatically opposed to taxpayer-friendly consumer choice and provider competition.

[2006] So what can Vermonters do to curb education costs? Here are five proposed "solutions".

Solution One: Keep on paying the increasing costs of our bureaucratic, centrally controlled public school monopoly system. This is the favored solution of the teachers union, superintendents, school boards, and everybody else who has a piece of the education action. Their slogan is "whatever it takes for our kids".

When property taxpayers finally say they can't bear the costs of Solution One, its backers shift to Solution Two: Shift the costs of our bureaucratic, centrally controlled public school monopoly system away from the homestead property tax, and onto broad based taxes, primarily the income tax (with generous "income sensitivity" provisions) but also to the nonresidential property tax.

Under this solution, "the rich", businesses, and second home owners will foot ever more of the education bills. That can work only until they figure out what is being done to them, dump their second homes at fire sale prices, and take their businesses and higher incomes away with them to New Hampshire, Florida or Texas.

Then there is Solution Three. Let's make our bureaucratic, centrally controlled public school monopoly system more efficient. The current focus of this argument is on governance.

If we could consolidate the costly overlay of local school boards and supervisory unions into 63 unified districts with unified tax bases, so the advocates say, we could shrink 284 school boards down to 63, and (supposedly) save lots of money.

This major structural change in public education would make life much simpler and easier for often-overworked superintendents – but there would still be 63 of them. They would

doubtless be more highly paid, and they would doubtless need a well-paid deputy superintendent. So where would the savings come from?

Any significant savings can only come from consolidation of small schools into large schools. Whether large schools are more efficient than small schools has been hotly debated for decades. There is precious little evidence that they can get the same results for fewer tax dollars. In any case, this solution has always stimulated serious local resistance.

Let's move on to Solution Four, the no-nonsense business solution: fewer schools, larger class sizes, fewer aides, fewer sports teams, leaner salary schedules, and less expensive high deductible health insurance similar to what private sector businesses are adopting.

This common-sense solution runs up against community support for local schools and loss of sports teams. It is fiercely opposed by the Vermont-NEA, which isn't about to give up any benefit it has managed to negotiate over the past thirty years.

Solution Five is radical. Let's give up on the bureaucratic, centrally controlled public school monopoly system, which guarantees steadily rising taxpayer costs regardless of the number of pupils, and regardless of their mediocre achievement.

In its place, empower all parents with scholarship money to pay for their children's education at any of a wide range of competing programs: public schools, independent schools, faith-based schools, charter schools, internet-based virtual schools, employer- and union-run schools, mentoring programs, career-study programs, early college programs, whatever arises to meet the demand in the marketplace, many of them at lower cost than the public school system.

That doesn't solve every problem, but competition in a real education marketplace will almost certainly restrain educational costs, improve efficiency, stimulate educational excellence, and increase student and parent satisfaction.

[2018] The 2009 report of the Commission on Rebalancing Education Cost and Value found that "a policy of creating an ever-enlarging 'system', populated with thousands of teachers, administrators and bureaucrats, controlling the annual expenditure of \$1,450 million taxpayer dollars, jealously protective of the benefits enjoyed by the people employed in the 'system', and dismissive of the abilities and preferences of parents and children, is a policy headed off in a totally wrong direction... What is insupportable is the continuing and ever growing extraction of well over a billion tax dollars each year, to buy overpriced and undistinguished educational outcomes for Vermont children who need ever-better outcomes to live and compete in the 21st Century."

Not surprisingly, the "education stakeholders" wanted no part of the Commission's recommendations, because accepting many of them would threaten to disrupt their comfortable near-monopoly arrangement.

So today's legislators valiantly soldier on, trying to make a different collection of taxpayers feed the system and create more powerful disincentives to excessive school district spending.

But wait a minute – maybe the overgrown public school system itself is the problem.

