

1 TO THE HONORABLE SENATE:

2 The Committee on Education to which was referred House Bill No. 361  
3 entitled “An act relating to making amendments to education funding,  
4 education spending, and education governance” respectfully reports that it has  
5 considered the same and recommends that the Senate propose to the House that  
6 the bill be amended by striking out all after the enacting clause and inserting in  
7 lieu thereof the following:

8 \* \* \* Findings \* \* \*

9 Sec. 1. FINDINGS

10 (a) Vermont’s kindergarten through grade 12 student population has  
11 declined from 103,000 in fiscal year 1997 to 78,300 in fiscal year 2015.

12 (b) The number of school-related personnel has not decreased in proportion  
13 to the decline in student population.

14 (c) The proportion of Vermont students with severe emotional needs has  
15 increased from 1.5 percent of the population in fiscal year 1997 to 2.3 percent  
16 in fiscal year 2015. In addition, the proportion of students from families in  
17 crisis due to loss of employment, opiate addiction, and other factors has also  
18 increased during this time period, requiring the State’s public schools to fulfill  
19 an array of human services functions.

20 (d) From July 1997 through July 2014, the number of Vermont children  
21 ages 6 through 17 residing with families receiving nutrition benefits has

1 increased by 47 percent, from 13,000 to 19,200. While other factors affect  
2 student academic performance, studies demonstrate that when the percentage  
3 of students in a school who are living in poverty increases, student  
4 performance and achievement have a tendency to decrease.

5 (e) With 13 different types of school district governance structures,  
6 elementary and secondary education in Vermont lacks cohesive governance  
7 and delivery systems. As a result, many school districts:

8 (1) are not well-suited to achieve economies of scale; and

9 (2) lack the flexibility to manage, share, and transfer resources,

10 including personnel, with other school districts and to provide students with a  
11 variety of high quality educational opportunities.

12 (f) 16 V.S.A. § 4010(f) was enacted in 1999 to protect school districts,  
13 particularly small school districts, from large, sudden tax increases due to  
14 declining student populations. The steady, continued decline in some districts,  
15 together with the compounding effect of the legislation as written, has inflated  
16 the equalized pupil count in some districts by as much as 77 percent, resulting  
17 in artificially low tax rates in those communities.

18 (g) National literature suggests that the optimal size for student learning is  
19 in elementary schools of 300 to 500 students and in high schools of 600 to 900  
20 students. In Vermont, the smallest elementary school has a total enrollment of  
21 15 students (kindergarten–grade 6) and the smallest high school has a total

1 enrollment of 55 students (grades 9–12). Of the 300 public schools in  
2 Vermont, 205 have 300 or fewer enrolled students and 64 have 100 or fewer  
3 enrolled students. Of those 64 schools, 16 have 50 or fewer enrolled students.

4 (h) National literature suggests that the optimal size for a school district in  
5 terms of financial efficiencies is between 2,000 and 4,000 students. The  
6 smallest Vermont school district has an average daily membership (ADM) of  
7 six students, with 79 districts having an ADM of 100 or fewer students. Four  
8 Vermont school districts have an ADM that exceeds 2,000 students.

9 (i) Vermont recognizes the important role that a small school plays in the  
10 social and educational fabric of its community. It is not the State’s intent to  
11 close its small schools, but rather to ensure that those schools have the  
12 opportunity to enjoy the expanded educational opportunities and economies of  
13 scale that are available to schools within larger, more flexible governance  
14 models.

15 (j) The presence of multiple public schools within a single district not only  
16 supports flexibility in the management and sharing of resources, but it  
17 promotes innovation. For example, individual schools within a district can  
18 more easily develop a specialized focus, which, in turn, increases opportunities  
19 for students to choose the school best suited to their needs and interests.

1           \* \* \* Preferred Education Governance Structure; Alternative Structure \* \* \*

2           Sec. 2. PREFERRED EDUCATION GOVERNANCE STRUCTURE;

3                     ALTERNATIVE STRUCTURE

4           (a) Preferred structure: prekindergarten–grade 12 district. In order to  
5           provide substantial equity in the quality and variety of educational  
6           opportunities statewide; to maximize operational efficiencies through increased  
7           flexibility to manage, share, and transfer resources; and to promote  
8           transparency and accountability, the preferred education governance structure  
9           in Vermont is a school district that:

10                   (1) is responsible for the education of all resident prekindergarten  
11                   through grade 12 students;

12                   (2) is its own supervisory district;

13                   (3) has a minimum average daily membership of 900; and

14                   (4) is organized and operates according to one of the four most common  
15                   governance structures:

16                   (A) a district that operates a school or schools for all resident students  
17                   in prekindergarten or kindergarten through grade 12;

18                   (B) a district that operates a school or schools for all resident students  
19                   in prekindergarten or kindergarten through grade 8 and pays tuition for all  
20                   resident students in grade 9 through grade 12;

1           (C) a district that operates a school or schools for all resident students  
2           in prekindergarten or kindergarten through grade 6 and pays tuition for all  
3           resident students in grade 7 through grade 12; or

4           (D) a district that operates no schools and pays tuition for all resident  
5           students in prekindergarten through grade 12.

6           (b) Alternative structure: supervisory union. A single  
7           prekindergarten–grade 12 district as envisioned in subsection (a) of this section  
8           may not be possible or the best model to achieve Vermont’s education goals in  
9           all regions of the State. In such situations, a supervisory union composed of  
10           multiple member districts, each with its separate school board, can meet the  
11           State’s goals, particularly if:

12           (1) the member districts consider themselves to be collectively  
13           responsible for the education of all prekindergarten through grade 12 students  
14           residing in the supervisory union;

15           (2) the supervisory union operates in a manner that maximizes  
16           efficiencies through economies of scale and flexible management, transfer, and  
17           sharing of nonfinancial resources among the member districts; and

18           (3) the supervisory union has the smallest number of member school  
19           districts practicable, achieved wherever possible by the merger of districts with  
20           similar operating and tuitioning patterns.



1           (2) School operation; protection. All governance transitions  
2           contemplated pursuant to this act shall preserve the ability of a district that, as  
3           of the effective date of this section, provides for the education of all resident  
4           students in one or more grades by operating a school offering the grade or  
5           grades, to continue to provide education by operating a school for all students  
6           in the grade or grades if it chooses to do so and shall not require the district to  
7           pay tuition for students if it ceases to exist as a discrete entity and realigns into  
8           a supervisory district or union school district.

9           (3) Tuition payment; school operation; intent. Nothing in this act shall  
10          be construed to restrict or repeal, or to authorize, encourage, or contemplate the  
11          restriction or repeal of, the ability of a school district that, as of the effective  
12          date of this section, provides for the education of all resident students in one or  
13          more grades:

14                (A) by paying tuition on the students' behalf, to continue to provide  
15                education by paying tuition on behalf of all students in the grade or grades; or

16                (B) by operating a school offering the grade or grades, to continue to  
17                provide education by operating a school for all students in the grade or grades.

18                        \* \* \* Voluntary Mergers; Incentives; REDS \* \* \*

19           Sec. 4. 2010 Acts and Resolves No. 153, Sec. 2(a), as amended by 2012

20           Acts and Resolves No. 156, Sec. 1, is further amended to read:

21           (a) Program created. There is created a school district merger incentive

1 program under which the incentives outlined in Sec. 4 of this act shall be  
2 available to each new unified union school district created pursuant to Sec. 3 of  
3 this act and to each new district created under Sec. 3 of this act by the merger  
4 of districts that provide education by paying tuition; and to the Vermont  
5 members of any new interstate school district if the Vermont members jointly  
6 satisfy the size criterion of Sec. 3(a)(1) of this act and the new, merged district  
7 meets all other requirements of Sec. 3 of this act. Incentives shall be available,  
8 however, only if the effective date of merger ~~is on or before July 1, 2017~~ on  
9 which the new district becomes operational is on or before July 1, 2020.

10 Sec. 5. 2010 Acts and Resolves No. 153, Sec. 4, as amended by 2012 Acts and  
11 Resolves No. 156, Sec. 13, is further amended to read:

12 Sec. 4. VOLUNTARY SCHOOL DISTRICT MERGER; INCENTIVES

13 \* \* \*

14 (h) ~~This section is repealed on July 1, 2017.~~ [Repealed.]

15 \* \* \* Accelerated Activity; Enhanced Incentives \* \* \*

16 Sec. 6. ACCELERATED MERGER; SUPERVISORY UNION BECOMING  
17 A SUPERVISORY DISTRICT; INCENTIVES; REPORT

18 (a) A newly formed school district shall receive the incentives set forth in  
19 subsection (b) of this section if it:

20 (1) is formed by merging the governance structures of all member  
21 districts of a supervisory union into one unified union school district pursuant

1 to the processes and requirements of 16 V.S.A. chapter 11; and, in addition,  
2 could include merger with a neighboring supervisory district;

3 (2) obtains an affirmative vote of all “necessary” districts on or after  
4 July 1, 2015, and prior to July 1, 2016;

5 (3) is responsible for the education of all resident prekindergarten  
6 through grade 12 students;

7 (4) is its own supervisory district;

8 (5) has a minimum average daily membership of 900 in its first year of  
9 operation; and

10 (6) is organized and operates according to one of the following common  
11 governance structures:

12 (A) a district that operates a school or schools for all resident students  
13 in prekindergarten or kindergarten through grade 12;

14 (B) a district that operates a school or schools for all resident students  
15 in prekindergarten or kindergarten through grade 8 and pays tuition for all  
16 resident students in grade 9 through grade 12; or

17 (C) a district that operates a school or schools for all resident students  
18 in prekindergarten or kindergarten through grade 6 and pays tuition for resident  
19 students in grade 7 through grade 12;

20 (7) becomes operational on or before July 1, 2017; and

1           (8) provides data as requested by the Agency of Education and  
2           otherwise assists the Agency to assess whether and to what extent the  
3           consolidation of its governance results in increased educational opportunities,  
4           operational efficiencies, transparency, and accountability.

5           (b) A newly formed school district that meets the criteria set forth in  
6           subsection (a) shall receive the following:

7           (1) Decreased equalized homestead property tax rate or accelerated  
8           action incentive grant. A new district's plan of merger shall provide whether,  
9           upon creation of the new district, the district shall receive decreased equalized  
10           homestead property tax rates during the first five years of operation pursuant to  
11           subdivision (A) or an incentive grant during the first year of operation pursuant  
12           to subdivision (B):

13           (A)(i) Decreased homestead property tax rates. Subject to the  
14           provisions of subdivision (iii) of this subdivision (A) and notwithstanding any  
15           other provision of law, the new district's equalized homestead property tax rate  
16           shall be:

17                   (I) decreased by \$0.10 in the first fiscal year of operation;  
18                   (II) decreased by \$0.10 in the second fiscal year of operation;  
19                   (III) decreased by \$0.08 in the third fiscal year of operation;  
20                   (IV) decreased by \$0.06 in the fourth fiscal year of  
21           operation; and

1                   (V) decreased by \$0.04 in the fifth fiscal year of operation.

2                   (ii) The household income percentage shall be calculated  
3                   accordingly.

4                   (iii) During the years in which a new district's equalized  
5                   homestead property tax rate is decreased pursuant to this subdivision (A), the  
6                   rate for each town within the new district shall not increase by more than five  
7                   percent in a single year. The household income percentage shall be calculated  
8                   accordingly.

9                   (B) Accelerated action incentive grant. During the first fiscal year of  
10                  operation, the Secretary of Education shall pay to the new district's board an  
11                  accelerated action incentive grant from the Education Fund equal to \$400.00  
12                  multiplied by the total number of resident students in the new district in that  
13                  year. The grant shall be in addition to funds received under 16 V.S.A. § 4028.

14                  (C) Common level of appraisal. Regardless of whether a new district  
15                  chooses to receive decreased homestead property tax rates or an accelerated  
16                  action incentive grant, on and after the effective date of merger, the common  
17                  level of appraisal shall be calculated independently for each town within the  
18                  new district for purposes of determining the homestead property tax rate for  
19                  each town.

20                  (2) Merger support grant. Notwithstanding any provision of law to the  
21                  contrary, if the districts forming the new district include at least one "eligible

1 school district,” as defined in 16 V.S.A. § 4015, that received a small school  
2 support grant under section 4015 in fiscal year 2016, then the new district shall  
3 receive an annual merger support grant in each of the first five fiscal years  
4 after it begins operation in an amount equal to the small school support grant  
5 received by the eligible school district in fiscal year 2016. If more than one  
6 merging district was an eligible school district, then the merger support grant  
7 shall be in an amount equal to the total combined small school support grants  
8 they received in fiscal year 2016.

9 (3) Transition facilitation grant. After voter approval of the plan of  
10 merger, the Secretary of Education shall pay the transitional board of the new  
11 district a transition facilitation grant from the Education Fund equal to the  
12 lesser of:

13 (A) five percent of the base education amount established in  
14 16 V.S.A. § 4001(13) multiplied by the greater of either the combined  
15 enrollment or the average daily membership of the merging districts on  
16 October 1 of the year in which the successful vote is taken; or

17 (B) \$150,000.00.

18 (c) If a new district that receives incentives under this section also meets  
19 the eligibility criteria to receive incentives as a regional education district  
20 (RED), then the district shall not receive the incentives available to a RED

1 pursuant to 2010 Acts and Resolves No. 153, subsections 4(a), (d), (e) or (g),  
2 as amended by 2012 Acts and Resolves No. 156, Sec. 13.

3 (d) The Secretary of Education, in collaboration with other entities such as  
4 the University of Vermont or the Regional Educational Laboratory–Northeast  
5 and Islands, shall collect and analyze data from the new districts created under  
6 this section regarding issues including educational opportunities, operational  
7 efficiencies, transparency, and accountability following merger. Beginning on  
8 January 15, 2016, and annually through January 2021, the Secretary shall  
9 submit a report to the House and Senate Committees on Education and on  
10 Appropriations, the House Committee on Ways and Means, and the Senate  
11 Committee on Finance regarding the districts pursuing merger under this  
12 section, conclusions drawn from the data collected, and any recommendations  
13 for legislative action.

14 \* \* \* Facilitating Voluntary Governance Transitions; Supervisory  
15 Union Boundaries \* \* \*

16 Sec. 7. 16 V.S.A. § 261 is amended to read:

17 § 261. ORGANIZATION AND ADJUSTMENT OF SUPERVISORY

18 UNIONS

19 (a) The State Board shall review on its own initiative or when requested as  
20 per subsection (b) of this section and may regroup the supervisory unions of  
21 the State or create new supervisory unions in such manner as to afford

1 increased efficiency or greater convenience and economy and to facilitate ~~K-12~~  
2 prekindergarten through grade 12 curriculum planning and coordination as  
3 changed conditions may seem to require.

4 (b)(1) Any school district that has so voted at its annual school district  
5 meeting, if said meeting has been properly warned regarding such a vote, may  
6 ~~apply to~~ request that the State Board of education for adjustment of ~~adjust~~ the  
7 existing boundaries of the supervisory union of which it is a ~~component~~  
8 member district.

9 (2) Any group of school districts that have so voted at their respective  
10 annual school district meeting, regardless of whether the districts are members  
11 of the same supervisory union, may request that the State Board adjust existing  
12 supervisory union boundaries and move one or more nonrequesting districts to  
13 a different supervisory union if such adjustment would assist the requesting  
14 districts to realign their governance structures into a unified union school  
15 district pursuant to chapter 11 of this title.

16 (3) The State Board shall give timely consideration to ~~such~~ requests  
17 made pursuant to this subsection and may regroup the school districts of the  
18 area so as to ensure reasonable supervision of all public schools therein.

19 (c) The State Board may designate any school district, including a unified  
20 union district, as a supervisory district if it will ~~offer schools in grades K-12~~  
21 provide for the education of all resident students in prekindergarten through

1 grade 12 and is large enough to support the planning and administrative  
2 functions of a supervisory union.

3 (d) Upon application by a supervisory union board, the State Board may  
4 waive any requirements of chapter 5 or 7 of this title with respect to the  
5 supervisory union board structure, board composition, or board meetings, or  
6 the staffing pattern of the supervisory union, if it can be demonstrated that such  
7 a waiver will result in efficient and effective operations of the supervisory  
8 union; will not result in any disproportionate representation; and is otherwise  
9 in the public interest.

10 \* \* \* Merger Support Grants; Small Schools Grants \* \* \*

11 Sec. 8. MERGER SUPPORT GRANT

12 (a) Notwithstanding any provision of law to the contrary and subject to  
13 subsection (b) of this section, if the districts creating a union school district  
14 pursuant to 16 V.S.A. chapter 11 include at least one “eligible school district,”  
15 as defined in 16 V.S.A. § 4015, that received a small school support grant  
16 under section 4015 in fiscal year 2016, then the new union school district shall  
17 receive an annual merger support grant in each of the first five fiscal years  
18 after it begins operation in an amount equal to the small school support grant  
19 received by the eligible school district in fiscal year 2016. If more than one  
20 merging district was an eligible school district, then the merger support grant

1 shall be in an amount equal to the total combined small school support grants  
2 they received in fiscal year 2016.

3 (b) This section shall apply only to a union school district that:

4 (1) is responsible for the education of all resident prekindergarten  
5 through grade 12 students;

6 (2) is its own supervisory district;

7 (3) has a minimum average daily membership of 900 in its first year of  
8 operation; and

9 (4) is organized and operates according to one of the following common  
10 governance structures:

11 (A) a district that operates a school or schools for all resident students  
12 in prekindergarten or kindergarten through grade 12;

13 (B) a district that operates a school or schools for all resident students  
14 in prekindergarten or kindergarten through grade 8 and pays tuition for all  
15 resident students in grade 9 through grade 12; or

16 (C) a district that operates a school or schools for all resident students  
17 in prekindergarten or kindergarten through grade 6 and pays tuition for resident  
18 students in grade 7 through grade 12;

19 (5) obtains a favorable vote of all “necessary” districts on or after July 1,  
20 2015; and





1        (b) In fiscal year 2018, any district that was eligible for small school  
2        support pursuant to 16 V.S.A. § 4015 in fiscal year 2016 but is not “eligible  
3        due to geographic necessity” for small school support in fiscal year 2018 shall  
4        receive small school support that is one-third of the amount it received in fiscal  
5        year 2016.

6            \* \* \* Declining Enrollment; Equalized Pupils; 3.5 Percent Limit \* \* \*

7        Sec. 11. 16 V.S.A. § 4010(f) is amended to read:

8            (f) For purposes of the calculation under this section, a district’s equalized  
9        pupils shall in no case be less than 96 and one-half percent of the ~~district’s~~  
10       actual number of equalized pupils in the district in the previous year, prior to  
11       making any adjustment under this subsection.

12       Sec. 12. DECLINING ENROLLMENT; TRANSITION

13            (a) If a district’s equalized pupils in fiscal year 2016 do not reflect any  
14       adjustment pursuant to 16 V.S.A. § 4010(f), then Sec. 11 of this act shall apply  
15       to the district in fiscal year 2017 and after.

16            (b) If a district’s equalized pupils in fiscal year 2016 reflect adjustment  
17       pursuant to 16 V.S.A. § 4010(f), then, notwithstanding the provisions of  
18       § 4010(f) as amended by this act:

19            (1) in fiscal year 2017, the district’s equalized pupils shall in no case be  
20       less than 90 percent of the district’s equalized pupils in the previous year; and

1           (2) in fiscal year 2018, the district’s equalized pupils shall in no case be  
2           less than 80 percent of the district’s equalized pupils in the previous year.

3           Sec. 13. REPEAL

4           16 V.S.A. § 4010(f) (declining enrollment; hold-harmless provision) is  
5           repealed on July 1, 2020.

6           Sec. 14. DECLINING ENROLLMENT; 3.5 PERCENT HOLD-HARMLESS;

7                           GRANDFATHERED DISTRICTS

8           Beginning in fiscal year 2021, for purposes of determining weighted  
9           membership under 16 V.S.A. § 4010, a district’s equalized pupils shall in no  
10           case be less than 96 and one-half percent of the actual number of equalized  
11           pupils in the district in the previous year, prior to making any adjustment under  
12           this section, if the district, on or before July 1, 2020:

13           (1) became eligible to receive incentives pursuant to Sec. 6 of this act  
14           (accelerated activity);

15           (2) met each of the criteria listed in Sec. 8(b)(1)–(5) of this act,  
16           regardless of whether the new district is eligible for a merger support grant,  
17           and became an operational unified union school district; or

18           (3) became eligible to receive incentives pursuant to 2010 Acts and  
19           Resolves No. 153, Sec. 4, as amended by 2012 Acts and Resolves No. 156,  
20           Sec. 13, and further amended by this act (REDs and eligible variations).

1                   \* \* \* Current Incentives for Other Joint Activity \* \* \*

2           Sec. 15. CURRENT INCENTIVES FOR JOINT ACTIVITY; LIMITATIONS  
3                   ON APPLICABILITY

4           (a) Notwithstanding the provisions of the following sections of law, the  
5           grants and reimbursements authorized by those sections shall be available only  
6           as provided in subsection (b) of this section:

7                   (1) 2012 Acts and Resolves No. 156, Sec. 2 (reimbursement of fees of  
8                   up to \$5,000.00 incurred by school districts or supervisory unions for initial  
9                   exploration of joint activity).

10                   (2) 2012 Acts and Resolves No. 156, Sec. 4 (reimbursement of analysis  
11                   or transition costs of up to \$10,000.00 incurred by school districts or  
12                   supervisory unions for joint activity other than a merger).

13                   (3) 2012 Acts and Resolves No. 156, Sec. 5 (reimbursement of fees of  
14                   up to \$20,000.00 incurred by supervisory unions for analysis relating to the  
15                   advisability of merger of supervisory unions).

16                   (4) 2012 Acts and Resolves No. 156, Sec. 6 (transition facilitation grant  
17                   of \$150,000.00 for the successful merger of two or more supervisory unions).

18                   (5) 2012 Acts and Resolves No. 156, Sec. 9 (reimbursement of fees of  
19                   up to \$20,000.00 incurred by school districts for analysis relating to the  
20                   advisability of merger other than a regional education district (RED)).

1           (6) 2012 Acts and Resolves No. 156, Sec. 11 (transition facilitation  
2           grant of the lesser of \$150,000.00 or five percent of the base education amount  
3           multiplied by the combined enrollment for the successful merger of two or  
4           more districts other than a RED).

5           (b) A group of districts or supervisory unions shall receive one or more of  
6           the incentives listed in subsection (a) of this section only if it:

7                   (1) meets the specific eligibility criteria for the incentive; and

8                   (2) completes the specific requirements for eligibility on or before

9           December 31, 2015.

10                   \* \* \* Supervisory Unions; Local Education Agency \* \* \*

11           Sec. 16. 16 V.S.A. § 43(c) is amended to read:

12           (c) For purposes of determining pupil performance and application of  
13           consequences for failure to meet standards and for provision of compensatory  
14           and remedial services pursuant to 20 U.S.C. §§ 6311-6318, a ~~school district~~  
15           supervisory union shall be a local education agency.

16                   \* \* \* Duties of Supervisory Unions; Failure to Comply; Tax Rates \* \* \*

17           Sec. 17. 16 V.S.A. § 261a(c) is added to read:

18           (c)(1) After notice to the boards of a supervisory union and its member  
19           districts, the opportunity for a period of remediation, and the opportunity for a  
20           hearing, if the Secretary determines that a supervisory union or any one of its  
21           member districts is failing to comply with the any provision of subsection (a)

1 of this section, then the Secretary shall notify the board of the supervisory  
2 union and the board of each of its member districts that the education property  
3 tax rates for nonresidential and homestead property shall be increased by five  
4 percent in each district within the supervisory union and the household income  
5 percentage shall be adjusted accordingly in the next fiscal year for which tax  
6 rates will be calculated. The districts' actual tax rates shall be increased by  
7 five percent, and the household income percentage adjusted, in each  
8 subsequent fiscal year until the fiscal year following the one in which the  
9 Secretary determines that the supervisory union and its districts are in  
10 compliance. If the Secretary determines that the failure to comply with the  
11 provisions of subsection (a) of this section is solely the result of the actions of  
12 the board of one member district, then the tax increase in this subsection (c)  
13 shall apply only to the tax rates for that district. Subject to Vermont Rule of  
14 Civil Procedure 75, the Secretary's determination shall be final.

15 \* \* \* Transition of Employees \* \* \*

16 Sec. 18. 16 V.S.A. chapter 53, subchapter 3 is added to read:

17 Subchapter 3. TRANSITION OF EMPLOYEES

18 § 1801. DEFINITIONS

19 As used in this subchapter:

20 (1) "New District" means a district created by the realignment or merger  
21 of two or more current districts into a new supervisory district, union school

1 district, or any other form of merged or realigned district authorized by law,  
2 including by chapter 11, subchapter 1, of this title, regardless of whether one or  
3 more of the districts creating the New District (a Realigning District) is a town  
4 school district, a city school district, an incorporated school district, a union  
5 school district, a unified union school district, or a supervisory district.

6 (2) “New SU” means a supervisory union created from the merger or  
7 realignment of two or more current supervisory unions or of all or some of the  
8 districts in one or more current supervisory unions (a Realigning SU). “New  
9 SU” also means a supervisory union created by the State Board’s adjustment of  
10 the borders of one or more current supervisory unions or parts of supervisory  
11 unions pursuant to section 261 of this title or otherwise, regardless of whether  
12 the New SU is known by the name of one of the current supervisory unions or  
13 the adjustment is otherwise structured or considered to be one in which one  
14 current supervisory union (the Absorbing SU) is absorbing one or more other  
15 supervisory unions or parts of supervisory unions into the Absorbing SU.

16 (3) “Employees of a Realigning Entity” means the licensed and  
17 nonlicensed employees of a Realigning District or Realigning SU, or both, that  
18 create the New District or New SU, and includes employees of an Absorbing  
19 SU and employees of a Realigning SU whose functions will be performed by  
20 employees of a New District that is a supervisory district.

1           (4) “System” shall mean the Vermont Municipal Employees’  
2           Retirement System created pursuant to 24 V.S.A. chapter 125.

3           (5) “Transitional Board” means the board created prior to the first day of  
4           a New District’s or a New SU’s existence in order to transition to the new  
5           structure by negotiating and entering into contracts, preparing an initial  
6           proposed budget, adopting policies, and otherwise planning for implementation  
7           of the New District or New SU, and includes the board of an Absorbing  
8           District to which members from the other Realigning SU or SUs have been  
9           added in order to perform transitional responsibilities.

10           § 1802. TRANSITION OF EMPLOYEES TO NEWLY CREATED  
11           EMPLOYER

12           (a) Prior to the first day of a New District’s or a new SU’s existence, upon  
13           creation of the Transitional Board, the Board shall:

14           (1) appoint a negotiations council for the New District or New SU for  
15           the purpose of negotiating with future employees’ representatives; and

16           (2) recognize the representatives of the Employees of the Realigning  
17           Districts or Realigning SUs as the recognized representatives of the employees  
18           of the New District or New SU.

19           (b) Negotiations shall commence within 90 days after formation of the  
20           Transitional Board and shall be conducted pursuant to the provisions of chapter

1 57 of this title for teachers and administrators and pursuant to 21 V.S.A.  
2 chapter 22 for other employees.

3 (c) An Employee of a Realigning District or Realigning SU who was not a  
4 probationary employee shall not be considered a probationary employee of the  
5 New District or New SU.

6 (d) If a new agreement is not ratified by both parties prior to the first day of  
7 the New District's or New SU's existence, then:

8 (1) the parties shall comply with the existing agreements in place for  
9 Employees of the Realigning Districts or the Realigning SUs until a new  
10 agreement is reached;

11 (2) the parties shall adhere to the provisions of an agreement among the  
12 Employees of the Realigning Districts or the Realigning SUs, as represented  
13 by their respective recognized representatives, regarding how provisions under  
14 the existing contracts regarding issues of seniority, reduction in force, layoff,  
15 and recall will be reconciled during the period prior to ratification of a new  
16 agreement; and

17 (3) a new employee beginning employment after the first day of the  
18 New District's or New SU's existence shall be covered by the agreement in  
19 effect that applies to the largest bargaining unit for Employees of the  
20 Realigning Districts in the New District or for Employees of the Realigning  
21 SU in the New SU.

1       (e) On the first day of its existence, the New District or New SU shall  
2       assume the obligations of existing individual employment contracts, including  
3       accrued leaves and associated benefits, with the Employees of the Realigning  
4       Districts.

5       § 1803. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

6       (a) A New District or New SU, on the first day of its existence, shall  
7       assume the responsibilities of any one or more of the Realigning Districts or  
8       Realigning SUs that have been participants in the system; provided, however,  
9       that this subsection shall not be construed to extend benefits to an employee  
10       who would not otherwise be a member of the system under any other provision  
11       of law.

12       (b) The existing membership and benefits of an Employee of a Realigning  
13       District or a Realigning SU shall not be impaired or reduced either by  
14       negotiations with the New District or New SU under 21 V.S.A. chapter 22 or  
15       otherwise.

16       (c) In addition to general responsibility for the operation of the System  
17       pursuant to 24 V.S.A. § 5062(a), the responsibility for implementation of all  
18       sections of this subchapter relating to the System is vested in the Retirement  
19       Board.

1                   \* \* \* Unified Union School District; Definition \* \* \*

2           Sec. 19. 16 V.S.A. § 722 is amended to read:

3           § 722. UNIFIED UNION DISTRICTS

4           ~~If a union school district is organized to operate grades kindergarten~~  
5 ~~through 12, it~~ (a) A union school district shall be known as a unified union  
6 district if it provides for the education of resident prekindergarten–grade 12  
7 students, whether by:

8                   (1) operating a school or schools for all grades;

9                   (2) operating a school or schools for all students in one or more grades  
10 and paying tuition for all students in the remaining grade or grades; or

11                   (3) paying tuition for all grades.

12           (b) On the date the unified union district becomes operative, unless another  
13 date is specified in the study committee report, it shall supplant all other school  
14 districts within its borders, and they shall cease to exist.

15           (c) If provided for in the committee report, the unified union school district  
16 ~~school~~ board may be elected and may conduct business for the limited purpose  
17 of preparing for the transition to unified union district administration while the  
18 proposed member school districts continue to operate schools.

19           (d) The functions of the legislative branch of each preexisting school  
20 district in warning meetings and conducting elections of unified union school  
21 district board members shall be performed by the corresponding board of

1 alderpersons of a city or city council, the selectboard of a town, or the trustees  
2 of an incorporated school district as appropriate.

3 \* \* \* Agencies of Human Services and of Education;

4 Coordination; Report \* \* \*

5 Sec. 20. COORDINATION OF EDUCATIONAL AND SOCIAL  
6 SERVICES; REPORT

7 (a) The Secretaries of Education and of Human Services, in consultation  
8 with school districts, supervisory unions, social service providers, and other  
9 interested parties, shall develop a plan for maximizing collaboration and  
10 coordination between the Agencies in delivering social services to Vermont  
11 public school students and their families. The plan shall:

12 (1) propose ways to improve access to and quality of social services  
13 provided to Vermont public school students and their families through  
14 systems-level planning and integration;

15 (2) propose sustainable ways to increase efficiencies in delivering social  
16 services to Vermont public school students and their families while  
17 maintaining access and quality, including ways to promote effective  
18 communication between the Agencies at the State and local levels;

19 (3) consider ways in which schools and social service providers can  
20 share services, personnel, and other resources, including the use of available  
21 space in school buildings by Agency of Human Services personnel;

1           (4) identify the amounts and sources of spending by the Agency of  
2           Human Services and the education system to provide social services to families  
3           with school-age children; and

4           (5) identify any barriers to increased efficiency, statutory or otherwise  
5           and including federal and State privacy protections, and propose ways to  
6           address these barriers, including any recommendations for legislative action.

7           (b) On or before January 15, 2016, the Secretaries shall present their plan  
8           and recommendations to the Senate Committees on Education and on Health  
9           and Welfare and the House Committees on Education and on Human Services.

10                           \* \* \* Quality Assurance; Accountability \* \* \*

11           Sec. 21. 16 V.S.A. § 165(b)(1)–(4) are amended and subdivision (5) is added  
12           to read:

13           (1) the Agency continue to provide technical assistance for one more  
14           cycle of review;

15           (2) the State Board adjust supervisory union boundaries or  
16           responsibilities of the superintendency pursuant to section 261 of this title;

17           (3) the Secretary assume administrative control of an individual school,  
18           school district, or supervisory union, including budgetary control to ensure  
19           sound financial practices, only to the extent necessary to correct  
20           deficiencies; ~~or~~

1           (4) the State Board close ~~the~~ an individual school or schools and require  
2 that the school district pay tuition to another public school or an approved  
3 independent school pursuant to chapter 21 of this title; or

4           (5) the State Board require two or more school districts to consolidate  
5 their governance structures.

6 Sec. 22. QUALITY ASSURANCE; ACCOUNTABILITY

7           The Secretary of Education shall regularly review, evaluate, and keep the  
8 State Board of Education apprised of the following:

9           (1) the discussions, studies, and activity among districts to move  
10 voluntarily toward creating a unified union school district as set forth in Sec.  
11 2(a) (preferred governance structure) of this act;

12           (2) the data collected from districts that vote prior to July 1, 2016, to  
13 merge into that preferred governance structure pursuant to Sec. 6 (accelerated  
14 activity) of this act and from other districts that have merged or do merge into  
15 a regional education district (RED) and their variations or that otherwise merge  
16 into the preferred governance structure set forth in Sec. 2(a) of this act; and

17           (3) the data and other information collected in connection with the  
18 Education Quality Standards, and related on-site education quality reviews,  
19 including data and information regarding the equity of educational  
20 opportunities, academic outcomes, personalization of learning, a safe school  
21 climate, high quality staffing, and financial efficiency.

1                   \* \* \* Transition to Sustainable Governance Structures \* \* \*

2           Sec. 23. VOLUNTARY SELF-EVALUATION, MEETINGS, AND  
3                   DECLARATION

4           (a) The board of each school district in the State that has a governance  
5           structure different from the preferred structure set forth in Sec. 2(a) of this act  
6           or that does not expect to move or will not be moving into the preferred  
7           structure on or before July 1, 2020, may choose to pursue one or more of the  
8           following actions:

9                   (1) Self-evaluation. The board may choose to evaluate the quality and  
10           variety of educational opportunities the district offers and the district's  
11           operational efficiencies, including its flexibility to manage, share, and transfer  
12           nonfinancial resources with other districts.

13                   (2) Meetings.

14                   (A) The board may choose to meet with the boards of one or more  
15           other districts, including those representing districts that have similar patterns  
16           of school operation and tuition payment, to discuss ways to promote  
17           improvement throughout the region in connection with:

18                           (i) the quality, variety, and equity of available educational  
19           opportunities;

20                           (ii) operational efficiencies, including the flexibility to manage,  
21           share, and transfer resources; and

1                   (iii) transparency and accountability.

2                   (B) The districts would not need to be contiguous and would not need  
3 to be within the same supervisory union.

4                   (3) Declaration. A board of a district, solely on behalf of its own district  
5 or jointly with the boards of other districts, may choose to submit a letter to the  
6 Secretary of Education and the State Board of Education on or before June 30,  
7 2017, that:

8                   (A) declares the district’s intention to retain its current governance  
9 structure or to work with other districts to form a different governance  
10 structure or otherwise enter into joint activity;

11                   (B) demonstrates, through reference to enrollment projections,  
12 student-to-staff ratios, the comprehensive data collected pursuant to 16 V.S.A.  
13 § 165, and otherwise, how the intention stated in subdivision (A) of this  
14 subdivision supports the district’s or districts’ ability to:

15                   (i) provide high-quality and varied educational opportunities that  
16 are substantially equitable when compared to opportunities available statewide;

17                   (ii) to maximize operational efficiencies through increased  
18 flexibility to manage, share, and transfer resources among educational units;

19 and

20                   (iii) to promote transparency and accountability; and

1           (C) identifies detailed actions it would take to continue to improve its  
2           performance in each of the three areas set forth in subdivisions (B)(i)–(iii).

3           Sec. 24. TRANSITION TO SUSTAINABLE GOVERNANCE

4                         STRUCTURES

5           (a) Goals; Secretary’s proposal. In order to provide substantial equity in  
6           the quality and variety of educational opportunities statewide; to maximize  
7           operational efficiencies through increased flexibility to manage, share, and  
8           transfer resources; and to promote transparency and accountability, the  
9           Secretary of Education shall:

10           (1) Review the governance structures of the school districts and  
11           supervisory unions of the State as they will exist, or are anticipated to exist, on  
12           July 1, 2020. This review shall include consideration of any declarations  
13           submitted by districts or groups of districts pursuant to Sec. 23 of this act and  
14           conversations with those and other districts.

15           (2) On or before April 1, 2018, shall develop, publish on the Agency’s  
16           website, and present a proposed plan to the State Board of Education that, to  
17           the extent necessary to promote the purpose stated at the beginning of this  
18           subsection (a), would move districts into the more sustainable, preferred model  
19           of governance set forth in Sec. 2(a) of this act. If it is not possible or  
20           practicable to develop a proposal that realigns districts, where necessary, in a  
21           manner that adheres to the protections of Sec. 3(c) (protection for

1 tuition-paying and operating districts) or that otherwise meets all aspects of  
2 Sec. 2(a), then the proposal may include alternative governance structures as  
3 necessary, such as a supervisory union with member districts or a unified union  
4 school district with a smaller average daily membership; provided, however,  
5 that any proposed alternative governance structure shall be designed to:

6 (A) ensure adherence to the protections of Sec. 3(c); and

7 (B) promote equity of educational opportunities, financial  
8 efficiencies, accountability, and transparency in a sustainable governance  
9 structure.

10 (b) State Board's proposed plan. On or before December 31, 2018, the  
11 State Board shall review and analyze the Secretary's proposal under the  
12 provisions in subsection (a) of this section, may take testimony or ask for  
13 additional information from districts and supervisory unions, shall approve the  
14 proposal in either its original form or in an amended form that adheres to the  
15 provisions of subsection (a), and shall present to the General Assembly and  
16 publish on the Agency of Education's website a proposed plan realigning  
17 districts and supervisory unions where necessary.

18 (c) General Assembly. Upon review of the State Board's proposed plan  
19 and receipt of testimony from the public and interested parties, it is the intent  
20 of the General Assembly in 2015 that the 2019–2020 General Assembly shall  
21 enact the proposed plan either in its original form or in an amended form that:

1           (1) adheres to the provisions of subsection (a) of this section; and  
2           (2) establishes a date by which any new districts and expanded or  
3 otherwise realigned supervisory unions that might be created under this section  
4 shall be operational.

5           (d) Applicability. This section shall not apply to:

6           (1) interstate school districts;

7           (2) regional career technical center school districts formed under 16  
8 V.S.A. chapter 37, subchapter 5A; or

9           (3) districts that, between June 30, 2013, and July 2, 2020, have  
10 voluntarily created and have begun or will begin to operate as a unified union  
11 school district that:

12           (A) is a regional education district (RED) or a district eligible to  
13 receive RED incentives; or

14           (B) is formed pursuant to the preferred structure set forth Sec. 2(a) of  
15 this act.

16                           \* \* \* Education Technical Assistant; Position \* \* \*

17           Sec. 25. EDUCATION TECHNICAL ASSISTANT

18           There is established one (1) new limited service exempt position –  
19 Education Technical Assistant – in the Agency of Education, authorized for  
20 fiscal years 2016 and 2017. The Education Technical Assistant shall work  
21 directly with school districts and supervisory unions to provide information

1 and assistance regarding fiscal and demographic projections and the options  
2 available to address any necessary systems changes. The Agency's authority  
3 to hire an individual for this purpose is contingent on its ability to obtain  
4 funding for the position solely through nonstate sources.

5 \* \* \* Effective Dates \* \* \*

6 Sec. 26. EFFECTIVE DATES

7 (a) Sec. 1 (findings) shall take effect on passage.

8 (b) Sec. 2 (preferred governance structure) shall take effect on passage.

9 (c) Sec. 3 (intent) shall take effect on passage.

10 (d) Secs. 4 and 5 (REDs; incentives; dates) shall take effect on passage.

11 (e) Sec. 6 (accelerated activity; increased incentives) shall take effect on  
12 passage.

13 (f) Sec. 7 (supervisory union boundaries) shall take effect on passage.

14 (g) Sec. 8 (Merger Support Grants) shall take effect on July 1, 2015.

15 (h) Secs. 9 and 10 (small school support; transition) shall take effect on  
16 July 1, 2016, and shall apply to grants made in fiscal year 2017 and after.

17 (i) Secs. 11 and 12 (declining enrollment; hold-harmless provision;  
18 transition) shall take effect on July 1, 2016.

19 (j) Sec. 13 (declining enrollment; hold-harmless provision; repeal) shall  
20 take effect on July 1, 2020.

1       (k) Sec. 14 (declining enrollment; hold-harmless provision; exception)  
2       shall take effect on July 1, 2020.

3       (l) Sec. 15 (existing incentives; applicability) shall take effect on July 1,  
4       2015.

5       (m) Sec. 16 (supervisory unions; local education agency) shall take effect  
6       on July 1, 2015.

7       (n) Sec. 17 (supervisory union duties; failure to comply; tax rates) shall  
8       take effect on July 1, 2016; provided, however, that tax rates shall not be  
9       increased pursuant to this section prior to fiscal year 2018.

10       (o) Sec. 18 (transition of employees) shall take effect on passage and shall  
11       apply to a New District or New SU that has its first day of operation on or after  
12       that date; provided, however, that this section shall not apply to the transition  
13       of employees to the new joint contract school scheduled to be operated by the  
14       Pomfret and Bridgewater school districts beginning in the 2015–2016  
15       academic year.

16       (p) Sec. 19 (unified union school district; definition) shall take effect on  
17       passage.

18       (q) Sec. 20 (Agencies of Education and of Human Services; coordination)  
19       shall take effect on passage.

20       (r) Sec. 21 (authorities of State Board of Education) shall take effect on  
21       July 1, 2020.

1           (s) Sec. 22 (review of data) shall take effect on July 1, 2015.

2           (t) Sec. 23 (optional self-evaluation, meetings, and proposal) shall take  
3 effect on July 1, 2015.

4           (u) Sec. 24 (optional self-evaluation; transition to sustainable governance  
5 structures) shall take effect on July 1, 2015.

6           (v) Sec. 25 (limited service exempt position) shall take effect on July 1,  
7 2015.

8           (w) This section (effective dates) shall take effect on passage.

9

10           (Committee vote: \_\_\_\_\_)

11

\_\_\_\_\_

12

Senator \_\_\_\_\_

13

FOR THE COMMITTEE