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**TESTIMONY PROVIDED TO: House Education Committee**  
**FROM: Rebecca Holcombe, Secretary, Agency of Education**  
**TOPIC: House Education Bill**  
**DATE: February 23, 2015**

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First of all, thank you for your efforts on behalf of VT's children and the strength of our schools. I look forward to working with you over the next few years in a steady, deliberate way to strengthen our schools and ensure tax dollars buy the best education we get.

We appreciate the committee's willingness to put all ideas on the table and grapple directly with the challenge of providing high quality education to all our children, at an affordable price.

I respect the fact that this body feels a strong responsibility to stem growth in education spending and find ways to provide education more effectively, so that we can free up resources for other critical priorities.

Several factors both set the stage and provide the back drop for this current discussion.

1. The budgetary crisis facing the state in general and education in particular is the product of an economic crisis facing states around the nation. It is compounded by a federal government that seems to increase mandates while it reduces funds.
2. Regardless of what the legislature does this session, change is already under way in the field. Declining enrollments and increasing convergence of school choice students on high schools with greater breadth and depth of offerings is reshaping our Vermont Education landscape. The question we face is not whether we will have fewer schools in the future, but rather whether or not we want to play an active role in shaping the schools of our future.
3. Transitions are disruptive in terms of time, money, and if we are not very careful, the quality of the educational experience. And, the more rapid the transition, the greater the disruption. As we enter this period, there is virtue in pacing the rate of change and limiting sources of disruption to ensure quality and fidelity of implementation.
4. Understandably, the legislature would like better performance data that would allow for school-to-school comparisons of cost effectiveness. We understand that the lack of comparable financial information and detailed performance data

creates a serious impediment to the ability of small district boards to make instructional and improvement decisions and of all districts to make efficient financial decisions. We note that the lack of consistent reporting (chart of accounts) is one limitation on our ability to compare, but this effect is modest compared with the systemic differences and inconsistencies attributable to variation across governance models. The central problem is not poorly reported data. It's data being reported accurately by districts in SUs where SUs provide different services, students in elementary school disperse into numerous high schools and so forth. VT has traded local flexibility for clarity and completeness of data. Limitations on the ability to gather clear, comparable data may be the greatest cost of the complexity of our current system of education governance in terms of making informed decisions. *If legislators decide this data is their top priority, they will have to do governance reform or support a small army of accountants to spend time at each school district to get it. Any change that induces greater complexity will further erode this goal.*

5. Good work takes time. The current situation developed over 20 years. It will not turn around over night. To make structural changes, school districts first need to recognize their challenges are structural. They need to find possible collaborators and develop a plan. Any direction needs the support and approval of voters. Budgets need to reflect a new direction before change can take place. Districts and supervisory unions are inherently slow to turn and engage, because they need to provide for our children in the present, even as they plan for and work towards the future. Attempts to rapidly transform a system of this complexity are politically polarizing, potentially harmful to students, and likely to be inefficient.

In addition, I want to acknowledge all the very hard and thoughtful work the General Assembly has done over the last few years to incentivize movement towards more sustainable, efficient systems, in which leadership for system improvements sits with superintendents, and principals take leadership for instruction at the school level.

The VT legislature has been anything but idle during this current period of fiscal challenge. In a time of limited resources you've provided funding for local districts to explore potential efficiencies from joint activity. Five years ago, you started a discussion and a transformation of education governance. The discussion and transformation advance thoughtfully, if at a frustrating pace, guided by our growing experience. But there is progress.

- With Act 153 of 2010 the legislature started a voluntary transformation process.
- In Act 156 of 2012, which greatly expanded the opportunities for mergers.
- We are seeing increasing interest in voluntary mergers. Just the other day, for example, Elmore and Morrystown announced their intent to explore a merger. Washington West SU's executive board voted to undertake a RED study. I have

meetings set up in several other regions to explore RED options.

Some benefits of mergers will be felt immediately. Others will take longer to realize. The focus of all these merger activities is to bring good heads together locally to develop strategies for improving opportunities for students in a sustainable way.

Any change involves transition costs. These transition costs are up front investments intended to yield long term improvements. There will be many cases where savings don't exceed transition costs in year one or year two. But transition costs go down over time while savings remain and often increase relative to whatever trajectory an unmerged district was on.

My first recommendation is that you extend the voluntary period to July 1, 2018. The July 1, 2017 incentive deadline was established in Act 153. Act 156 greatly expanded possibilities for merger. Districts and supervisory unions are beginning to act. Adding one year to the period when Act 156 expanded opportunities two years into the transition is a modest change to extend a voluntary activity that is working.

My second recommendation is that we all recognize the time and effort needed to accomplish a successful transition, and be careful about introducing too much complexity into an already complex task. Any merger of governance is a careful process, structured to preserve local voice and serve local goals. If districts are simultaneously tasked with too many initiatives, they may struggle to maintain focus on critical questions of governance and structure.

The early movers have created examples of a variety of ways districts can move forward, including small districts with small schools, to achieve better outcomes at a more affordable price. Some early movers are now wondering whether their new units are big enough. Districts currently contemplating mergers can draw on the experiences of these early movers as they develop their own plans.

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General comments on the House Bill:

Again, I commend you for trying on a range of proposals designed to create efficiencies, support improvements in quality, and increase transparency around the relationship between expenditures and outcomes.

**Sec. 17**

The major change in the current bill is in Section 17, which proposes creating of Integrated Education Systems (IES). I will comment both on this and on the proposal to convert SUs to SDs that was in an earlier draft.

## Integrated Education Systems (IES)

Under this language:

- Districts can attempt to partner with other districts not currently in their original SU.
- The language “encourages” districts to engage in “self-evaluation.” Based on first read, this encouragement might lead to four kinds of integrated systems:
  - 1 – Sec. 17 (b) Any plan that meets the 7 goals in Sec. 17(a)(1). Requires a study committee and report. These look something like an SU but with more prominent powers and duties.
  - 2- Sec. 17(d)(1). SDs can remain SDs. No study committee
  - 3 – Sec. 17 (d)(2). An expedited SU to SD process.
  - 4 – Sec. 17((e) The Secretary develops a plan and proposes to the State Board.
- This could induce more complexity and diversity of systems. For example, it could lead to more, smaller PK-12 units than the previous SU to SD proposal, and an IES might include districts from more than one SU.
- Since districts retain responsibility for governance, the IES may need to address the role and purpose of SUs.
- The language makes the IES responsible for reporting financial data, but business managers work for supervisory unions and are responsible for providing us with budgeting information.
- The committee may want to identify why a district would choose to delegate responsibilities to an IES any more than it would to an SU board.
- P. 28, lines 3 – 10, allow what are currently choice districts to be integrated into IESs while continuing choice. This seems to create a common budget and a common tax rate, while allowing some students tuition but other not. This may be legally problematic.

To develop rules to support this, we would need greater clarity. For example, under this language, it sounds in some places as though individual school boards continue to run their own districts and schools and maybe have their own budgets. In this scenario, is the role of the IES to provide front office services on a scale smaller than an SU? Given that we still have to collect financial data from the budgeting entity, how does this introduce efficiency?

### SU to SD conversion:

In twelve supervisory unions including Chittenden East, which recently created a MUUSD, every district belongs to the same high school union. These SUs would be likely to have the least complicated and least expensive transition to district consolidation. Here are some questions you might consider if you want to pursue this path, as outlined in an earlier version:

- If the committee pursued this option it might want to consider language that explicitly accommodates choice districts. Rather than a merger from SU's to single SDs, the committee might allow a merger from an SU into two entities:

one district that accommodates all operating grades/units within the SU, and one district that accommodates all grades from all towns that are tuitioned within the SU. The tuition district can then contract with the operating district for services.

- The committee might consider a requirement that the district opting out demonstrate that its departure has no adverse effect on the remaining entities in the group it is leaving.
- The committee should anticipate that, as allowed by this bill, districts could arrange one-off contracts with some combination of neighbors, resulting in even greater complexity, increased monitoring difficulties and unanticipated consequences.
- To understand and inform the consequences of different approaches, the committee should contrast the likely consequences of the current proposal with, for example, allowing a vote tallied by SU instead of by district.

At some point the legislature will need to come to a decision over the limits of voluntary action. Two major impediments to transformation have been concern over small schools and districts and the logistics and equity problems created by choice districts. In the interest of local autonomy and engagement, we deliberately allow some inefficiency and inequity. It is ultimately up to the legislature to evaluate and monitor how much inequity and inefficiency it accepts in the interest of supporting local control and local engagement and flexibility.

### **Section 21**

This section requires the data systems to be completed by July 1, 2017. This is before the new IES structure would be completed. We can create a mish mash system at present, but it can't provide "district-to-district" comparisons as required in the section. This is too fast and still impossible given the likely complexity of governance within an IES.

### **Section 4**

This section requires the non-residential tax rate to bear the same proportional relationship to the homestead base rate each year. However, the bill moves to a yield system and the homestead rate is now a dollar equivalent and never changes. That means the non-residential tax rate will remain constant.

### **Section 5**

This section retains a provision (the last sentence) that was added to the law for one district and that district never used it. We recommend that sentence be struck.

### **Section 7**

This section provides new ballot language for budget votes requiring information on per pupil spending. This is a good idea but would not apply to some districts with charter provisions to the contrary. We think the law should include a provision that this new language supersede those charter provisions.