

H.361

An act relating to making amendments to education funding, education spending, and education governance

It is hereby enacted by the General Assembly of the State of Vermont:

* * * Education Policy Goals * * *

Sec. 1. EDUCATION POLICY GOALS

(a) Intent. By enacting this legislation, the General Assembly intends to move the State toward integrated education systems responsible for the equitable delivery of high quality education to all resident prekindergarten–grade 12 students through a revised governance structure that:

(1) leads students to achieve or exceed the State’s Education Quality Standards, adopted as rules by the State Board of Education at the direction of the General Assembly;

(2) leads to improved transparency and accountability; and

(3) is delivered at a cost that parents, voters, and taxpayers value.

(b) Design; local decisions. This legislation is designed to encourage and support local decisions and actions linked to the Education Quality Standards, transparency, accountability, and cost-effectiveness, including decisions and actions that:

(1) promote equity in the quality and variety of educational opportunities available throughout the State, regardless of the school's size or location;

(2) improve student performance as established by each school in the continuous improvement plan it develops pursuant to 16 V.S.A. § 165;

(3) provide a sequential, logical curriculum to all students;

(4) promote students' ability to think critically; communicate verbally, in writing, and through the use of technology; collaborate; and solve problems creatively;

(5) advance solutions, including structural changes, that are developed and implemented at the local level to meet community needs and priorities;

(6) enhance the possibility that the State's small schools remain open if they are able to provide students with equitable educational opportunities and improved student performance at a stable, affordable cost;

(7) create enhanced opportunities and other conditions that promote stability in leadership;

(8) foster strong relationships between schools and the broader community and increased parental and community engagement at the school level;

(9) facilitate operational and educational efficiencies and effectiveness through greater flexibility in the management of resources to support student

achievement and success, with a goal of increasing the district-level ratio of students to full-time equivalent staff;

(10) improve affordability and stability for taxpayers; and

(11) increase public accountability and transparency through:

(A) greater consistency in educational governance structures; and

(B) the accounting and reporting of financial information in

accordance with Generally Accepted Accounting Principles and as otherwise required by the Secretary of Education.

(c) Education Quality Standards; indicators; performance measures. On or before December 31, 2015, in connection with the ongoing development of indicators to determine compliance with Education Quality Standards, the State Board of Education shall adopt and publish performance measures for the policy goals identified in the Standards as expressed by this section, including those relating to student outcomes.

(d) Guidelines. Based upon the performance measures it adopts in subsection (c) of this section, including those relating to student outcomes, the State Board of Education shall issue guidelines on or before December 31, 2015, that are designed to:

(1) assist districts to develop governance proposals pursuant to Sec. 17 of this act; and

(2) guide the State Board's evaluation of the proposals, recognizing that regional variations may result in a proposal that continues, expands, or creates a new supervisory union.

* * * Yield; Dollar Equivalent * * *

Sec. 2. 16 V.S.A. § 4001(13) is amended to read:

(13) "Base education amount" means ~~a number used to calculate tax rates. The base education amount is \$6,800.00 per equalized pupil, adjusted as~~ required under section 4011 of this title.

Sec. 2a. 32 V.S.A. § 5401 is amended to read:

§ 5401. DEFINITIONS

* * *

(13)(A) "District Education property tax spending adjustment" means the greater of: one or a fraction in which the numerator is the district's education spending plus excess spending, per equalized pupil, for the school year; and the denominator is the ~~base education amount~~ property dollar equivalent yield for the school year, as defined in ~~16 V.S.A. § 4001 subdivision (15) of this section.~~ ~~For a district that pays tuition to a public school or an approved independent school, or both, for all of its resident students in any year and which has decided by a majority vote of its school board to opt into this provision, the district spending adjustment shall be the average of the district spending adjustment calculated under this subdivision~~

~~for the previous year and for the current year. Any district opting for a two-year average under this subdivision may not opt out of such treatment, and the averaging shall continue until the district no longer qualifies for such treatment.~~

(B) "Education income tax spending adjustment" means the greater of: one or a fraction in which the numerator is the district's education spending plus excess spending, per equalized pupil, for the school year; and the denominator is the income dollar equivalent yield for the school year, as defined in subdivision (16) of this section.

* * *

(15) "Property dollar equivalent yield" means the amount of spending per equalized pupil that would result if the homestead tax rate were \$1.00 per \$100.00 of equalized education property value, and the statutory reserves under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

(16) "Income dollar equivalent yield" means the amount of spending per equalized pupil that would result if the applicable percentage in subdivision 6066(a)(2) of this title were 2.0 percent, and the statutory reserves under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

Sec. 3. 32 V.S.A. § 5402 is amended to read:

§ 5402. EDUCATION PROPERTY TAX LIABILITY

(a) A ~~Statewide~~ statewide education tax is imposed on all nonresidential and homestead property at the following rates:

(1) The tax rate for nonresidential property shall be \$1.59 per \$100.00.

(2) The tax rate for homestead property shall be ~~\$1.10~~ \$1.00 multiplied by the ~~district~~ education property tax spending adjustment for the municipality, per \$100.00, of equalized education property value as most recently determined under section 5405 of this title. The homestead property tax rate for each municipality which is a member of a union or unified union school district shall be calculated as required under subsection (e) of this section.

(b) The ~~Statewide~~ statewide education tax shall be calculated as follows:

(1) The Commissioner of Taxes shall determine for each municipality the education tax rates under subsection (a) of this section, divided by the municipality's most recent common level of appraisal. The legislative body in each municipality shall then bill each property taxpayer at the homestead or nonresidential rate determined by the Commissioner under this subdivision, multiplied by the education property tax grand list value of the property, properly classified as homestead or nonresidential property and without regard to any other tax classification of the property. Tax bills shall show the tax due and the calculation of the rate determined under subsection (a) of this section,

divided by the municipality's most recent common level of appraisal,
multiplied by the current grand list value of the property to be taxed.

(2) Taxes assessed under this section shall be assessed and collected in the same manner as taxes assessed under chapter 133 of this title with no tax classification other than as homestead or nonresidential property.

(3) If a district has not voted a budget by June 30, an interim homestead education tax shall be imposed at the base rate determined under subdivision (a)(2) of this section, divided by the municipality's most recent common level of appraisal, but without regard to any ~~district~~ spending adjustment under subdivision 5401(13) of this title. Within 30 days after a budget is adopted and the deadline for reconsideration has passed, the Commissioner shall determine the municipality's homestead tax rate as required under subdivision (1) of this subsection.

* * *

(d) A municipality which has upon its grand list an operating electric generating plant subject to the tax under chapter 213 of this title shall be subject to the nonresidential education property tax at three-quarters of the rate provided in subdivision (a)(1) of this section, as adjusted under section 5402b of this chapter; and shall be subject to the homestead education property tax at three-quarters of the base rate provided in subdivision (a)(2) of this section, as

adjusted under section 5402b of this chapter, and multiplied by its ~~district~~ spending adjustment under subdivision 5401(13) of this title.

(e) The Commissioner of Taxes shall determine a homestead education tax rate for each municipality which is a member of a union or unified union school district as follows:

(1) For a municipality which is a member of a unified union school district, use the base rate determined under subdivision (a)(2) of this section and a ~~district~~ spending adjustment under subdivision 5401(13) of this title based upon the education spending per equalized pupil of the unified union.

(2) For a municipality which is a member of a union school district:

(A) Determine the municipal district homestead tax rate using the base rate determined under subdivision (a)(2) of this section and a ~~district~~ spending adjustment under subdivision 5401(13) of this title based on the education spending per total equalized pupil in the municipality who attends a school other than the union school.

(B) Determine the union district homestead tax rate using the base rate determined under subdivision (a)(2) of this section and a ~~district~~ spending adjustment under subdivision 5401(13) of this title based on the education spending per equalized pupil of the union school district.

* * *

Sec. 4. 32 V.S.A. § 6066(a)(2) is amended to read:

(2) “Applicable percentage” in this section means two percent, multiplied by the ~~district~~ education income tax spending adjustment under subdivision 5401(13)(~~B~~) of this title for the property tax year which begins in the claim year for the municipality in which the homestead residence is located; ~~but in no event shall the applicable percentage be less than two percent.~~

Sec. 4a. REVISION AUTHORITY

Notwithstanding 4 V.S.A. § 424, the Office of Legislative Council is authorized to change all instances in statute of the term “applicable percentage” to “income percentage” in 32 V.S.A. chapters 135 and 154.

Sec. 4b. 16 V.S.A. § 4031 is amended to read:

§ 4031. UNORGANIZED TOWNS AND GORES

(a) For a municipality that as of January 1, 2004 is an unorganized town or gore, its ~~district~~ education property tax spending adjustment under 32 V.S.A. § 5401(13) shall be one for purposes of determining the tax rate under 32 V.S.A. § 5402(a)(2).

(b) For purposes of a claim for property tax adjustment under 32 V.S.A. chapter 154 by a taxpayer in a municipality affected under this section, the

applicable percentage shall not be multiplied by a spending adjustment under
32 V.S.A. § 5401(13).

Sec. 5. 32 V.S.A. § 5402b is amended to read:

§ 5402b. STATEWIDE EDUCATION TAX RATE ~~ADJUSTMENTS~~

YIELDS; RECOMMENDATION OF THE COMMISSIONER

~~(a) Annually, by December 1, the Commissioner of Taxes shall recommend to the General Assembly, after consultation with the Agency of Education, the Secretary of Administration, and the Joint Fiscal Office, the following adjustments in the statewide education tax rates under subdivisions 5402(a)(1) and (2) of this title:~~

~~(1) If there is a projected balance in the Education Fund Budget Stabilization Reserve in excess of the five percent level authorized under 16 V.S.A. § 4026, the Commissioner shall recommend a reduction, for the following fiscal year only, in the statewide education tax rates which will retain the projected Education Fund Budget Stabilization Reserve at the five percent maximum level authorized and raise at least 34 percent of projected education spending from the tax on nonresidential property; and~~

~~(2) If there is a projected balance in the Education Fund Budget Stabilization Reserve of less than the three and one half percent level required under 16 V.S.A. § 4026, the Commissioner shall recommend an increase, for the following fiscal year only, in the statewide education tax rates which will~~

~~retain the projected Education Fund Budget Stabilization Reserve at no less than the three and one half percent minimum level authorized under 16 V.S.A. § 4026, and raise at least 34 percent of projected education spending from the tax rate on nonresidential property.~~

~~(3) In any year following a year in which the nonresidential rate produced an amount of revenues insufficient to support 34 percent of education fund spending in the previous fiscal year, the Commissioner shall determine and recommend an adjustment in the nonresidential rate sufficient to raise at least 34 percent of projected education spending from the tax rate on nonresidential property.~~

~~(4) If in any year in which the nonresidential rate is less than the statewide average homestead rate, the Commissioner of Taxes shall determine the factors contributing to the deviation in the proportionality of the nonresidential and homestead rates and make a recommendation for adjusting statewide education tax rates accordingly.~~

~~(b) If the Commissioner makes a recommendation to the General Assembly to adjust the education tax rates under section 5402 of this title, the Commissioner shall also recommend a proportional adjustment to the applicable percentage base for homestead income based adjustments under section 6066 of this title, but the applicable percentage base shall not be adjusted below 1.94 percent.~~

(a) Annually, no later than December 1, the Commissioner shall calculate and recommend a property dollar equivalent yield and an income dollar equivalent yield for the following fiscal year. In making these calculations, the Commissioner shall assume:

(1) the homestead base tax rate in subdivision 5402(a)(2) of this title is 1.00 per \$100.00 of equalized education property value;

(2) the applicable percentage in subdivision 6066(a)(2) of this title is 2.0;

(3) the statutory reserves under 16 V.S.A. § 4026 and this section were maintained at five percent; and

(4) the percentage change in the median education tax bill applied to nonresidential property, the percentage change in the median education tax bill of homestead property, and the percentage change in the median education tax bill for taxpayers who claim an adjustment under subsection 6066(a) of this title are equal.

(b) For each fiscal year, the General Assembly shall set a property dollar equivalent yield and an income dollar equivalent yield, consistent with the definitions in this chapter.

* * * Fiscal Year 2016 Education Property Tax Rates, Applicable Percentage,
and Base Education Amount * * *

Sec. 6. FISCAL YEAR 2016 EDUCATION PROPERTY TAX RATES
AND APPLICABLE PERCENTAGE

(a) For fiscal year 2016 only, the education property tax imposed under 32 V.S.A. § 5402(a) shall be reduced from the rates of \$1.59 and \$1.10 and shall instead be at the following rates:

(1) the tax rate for nonresidential property shall be \$1.525 per \$100.00; and

(2) the tax rate for homestead property shall be \$0.98 multiplied by the district spending adjustment for the municipality per \$100.00 of equalized property value as most recently determined under 32 V.S.A. § 5405.

(b) For claims filed in 2015 only, “applicable percentage” in 32 V.S.A. § 6066(a)(2) shall be reduced from 2.0 percent and instead shall be 1.94 percent multiplied by the fiscal year 2015 district spending adjustment for the municipality in which the homestead residence is located; but in no event shall the applicable percentage be less than 1.94 percent.

Sec. 7. FISCAL YEAR 2016 BASE EDUCATION AMOUNT

As provided in 16 V.S.A. § 4011(b), the base education amount for fiscal year 2016 shall be \$9,459.00.

* * * Ballot Language; Per Pupil Spending * * *

Sec. 8. 16 V.S.A. § 563 is amended to read:

§ 563. POWERS OF SCHOOL BOARDS; FORM OF VOTE ~~IF BUDGET
EXCEEDS BENCHMARK AND DISTRICT SPENDING IS ABOVE
AVERAGE~~

The school board of a school district, in addition to other duties and authority specifically assigned by law:

* * *

(11)(A) Shall prepare and distribute annually a proposed budget for the next school year according to such major categories as may from time to time be prescribed by the Secretary.

~~(B) If the proposed budget contains education spending in excess of the Maximum Inflation Amount, and the district's education spending per equalized pupil in the fiscal year preceding the year for which the budget is proposed was in excess of the statewide average district education spending per equalized pupil in that same fiscal year, as determined by the Secretary, then in lieu of any other statutory or charter form of budget adoption or budget vote, the board shall present the budget to the voters by means of a divided question, in the form of vote provided in subdivision (ii) of this subdivision~~
(11)(B):

~~(i) "Maximum Inflation Amount" in this section means:~~

~~(I) the statewide average district education spending per equalized pupil, as defined in subdivision 4001(6) of this title, in the fiscal year preceding the year for which the budget is proposed, as determined by the Secretary, multiplied by the New England Economic Project Cumulative Price Index percentage change, as of November 15 preceding distribution of the proposed budget, for state and local government purchases of goods and services for the fiscal year for which the budget is proposed, plus one percentage point; plus the district's education spending per equalized pupil in the fiscal year preceding the year for which the budget is proposed, as determined by the Secretary;~~

~~(II) multiplied by the higher of the following amounts as determined by the Secretary: (aa) the district's equalized pupil count in the fiscal year preceding the year for which the budget is proposed; or (bb) the district's equalized pupil count in the fiscal year for which the budget is proposed.~~

~~(ii) The ballot shall be in the following form:~~

~~"The total proposed budget of \$_____ is the amount determined by the school board to be necessary to support the school district's educational program. State law requires the vote on this budget to be divided because (i) the school district's spending per pupil last year was more than the statewide~~

~~average and (ii) this year's proposed budget is greater than last year's budget adjusted for inflation.~~

~~“Article #1 (School Budget):~~

~~Part A. Shall the voters of the school district authorize the school board to expend \$ _____/t, which is a portion of the amount the school board has determined to be necessary?~~

~~Part B. If Part A is approved by the voters, shall the voters of the school district also authorize the school board to expend \$ _____/t, which is the remainder of the amount the school board has determined to be necessary? ”~~

[Repealed.]

(C) At a school district's annual or special meeting, the electorate may vote to provide notice of availability of the school budget required by this subdivision to the electorate in lieu of distributing the budget. If the electorate of the school district votes to provide notice of availability, it must specify how notice of availability shall be given, and such notice of availability shall be provided to the electorate at least 30 days before the district's annual meeting. The proposed budget shall be prepared and distributed at least ten days before a sum of money is voted on by the electorate. Any proposed budget shall show the following information in a format prescribed by the Secretary:

(i) all revenues from all sources, and expenses, including as separate items any assessment for a supervisory union of which it is a member

and any tuition to be paid to a career technical center; and including the report required in subdivision 242(4)(D) of this title itemizing the component costs of the supervisory union assessment;

(ii) the specific amount of any deficit incurred in the most recently closed fiscal year and how the deficit was or will be remedied;

(iii) the anticipated homestead tax rate and the percentage of household income used to determine income sensitivity in the district as a result of passage of the budget including those portions of the tax rate attributable to supervisory union assessments; and

(iv) the definition of “education spending,” the number of pupils and number of equalized pupils in the school district, and the district’s education spending per equalized pupil in the proposed budget and in each of the prior three years.

(D) The board shall present the budget to the voters by means of a ballot in the following form:

“Article #1 (School Budget):

The total proposed budget of \$ _____ is the amount determined by the school board to be necessary to support the school district’s educational program. It is estimated that this proposed budget, if approved, will result in education spending of \$ _____ per equalized pupil. This projected spending per equalized pupil is _____% higher/lower than spending for the current year.

Shall the voters of the school district approve the school board to expend \$ _____, which is the amount the school board has determined to be necessary for the ensuing fiscal year?"

Sec. 9. REPEAL

16 V.S.A. § 4001(6)(A) (divided voted; exceptions to education spending) is repealed on July 1, 2015.

* * * Merger Support Grants * * *

Sec. 10. 2010 Acts and Resolves No. 153, Sec. 4(d) is amended to read:

(d) Merger support grant. If the merging districts of a RED included at least one "eligible school district," as defined in 16 V.S.A. § 4015, that had received a small school support grant under section 4015 in the fiscal year two years prior to the first fiscal year of merger, then the RED shall ~~be eligible to~~ receive a merger support grant ~~in each of its first five fiscal years~~ annually in an amount equal to the small school support grant received by the eligible school district in the fiscal year two years prior to the first fiscal year of merger. If more than one merging district was an eligible school district, then the merger support grant shall be in an amount equal to the total combined small school support grants they received in the fiscal year two years prior to the first fiscal year of merger. Payment of the grant under this section shall continue annually until explicitly repealed by the General Assembly; provided, however, that the Secretary shall discontinue payment of the grant in the fiscal

year following closure by the merged district of a school located in what had been an “eligible school district” prior to merger; provided, however, if a school building located in a formerly “eligible school district” is closed in order to consolidate with another school into a renovated or new school building, then the Secretary shall continue to pay the grant during the repayment term of any bonded indebtedness incurred in connection with the consolidation-related renovation or construction.

Sec. 11. MERGER SUPPORT GRANT; INTEGRATED EDUCATION
SYSTEMS; JOINT CONTRACT SCHOOLS

(a) Notwithstanding other provisions of law to the contrary, if the merging districts of an integrated education system capable of achieving the goals and requirements set forth in Sec. 17(a) of this act include at least one “eligible school district,” as defined in 16 V.S.A. § 4015, that received a small school support grant under section 4015 in the fiscal year two years prior to the first fiscal year of merger, then the integrated education system shall receive annual merger support grants pursuant to the provisions of 2010 Acts and Resolves No. 153, Sec. 4(d) as amended by this act; provided, however, that this section shall apply only to an integrated education system that obtains a favorable vote of all “necessary” districts on or before November 30, 2017, and becomes effective on or before July 1, 2019.

(b) Notwithstanding other provisions of law to the contrary, if two or more districts enter into a contract pursuant to 16 V.S.A. chapter 11, subchapter 1 to operate a school jointly, and if at least one of the districts was an “eligible school district” that received a small school support grant in the fiscal year two years prior to the effective date of the contract, then the contracting school districts, as a single unit, shall receive annual merger support grants pursuant to the provisions of 2010 Acts and Resolves No. 153, Sec. 4(d) as amended by this act; provided, however, that this section shall apply only to contracting districts that receive a favorable vote of all affected districts to enter into a finalized contract on or before November 30, 2017.

* * * Small School Support; Effective Fiscal Year 2020 * * *

Sec. 12. 16 V.S.A. § 4015 is amended to read:

§ 4015. SMALL SCHOOL SUPPORT

(a) In this section:

(1) “Eligible school district” means a school district that:

(A) operates at least one school; and

~~(A) has a two-year average combined enrollment of fewer than 100 students in all the schools operated by the district; or~~

(B) has an average grade size of 20 or fewer;

(C) has participated in a merger study and submitted a merger report to the State Board pursuant to chapter 11 of this title or otherwise; and

(D) has been determined by the State Board, on an annual basis, to be eligible due to:

(i) the district's high student-to-staff ratios;

(ii) the lengthy driving times or inhospitable travel routes between the school district and the nearest district or districts in which there is excess capacity; and

(iii) the district's success in providing high quality educational opportunities that meet the educational quality standards adopted by the State Board pursuant to section 165 of this title.

* * *

(6) "School district" means a town, city, incorporated, interstate, or union school district or a joint contract school established under subchapter 1 of chapter 11 of this title.

* * *

~~(c) Small schools financial stability grant: In addition to a small schools support grant, an eligible school district whose two year average enrollment decreases by more than 10 percent in any one year shall receive a small schools financial stability grant. However, a decrease due to a reduction in the number of grades offered in a school or to a change in policy regarding paying tuition for students shall not be considered an enrollment decrease. The amount of the grant shall be determined by multiplying 87 percent of the base~~

~~education amount for the current fiscal year, by the number of enrollment, to the nearest one hundredth of a percent, necessary to make the two-year average enrollment decrease only 10 percent. [Repealed.]~~

~~(d) Funds for both grants shall be appropriated from the Education Fund and shall be added to payments for the base education amount or deducted from the amount owed to the Education Fund in the case of those districts that must pay into the Fund under section 4027 of this title. [Repealed.]~~

(e) In the event that a school or schools that have received a grant under this section merge in any year following receipt of a grant, and the consolidated school is not eligible for a grant under this section or the small school grant for the consolidated school is less than the total amount of grant aid the schools would have received if they had not combined, the consolidated school shall continue to receive a grant for three years following consolidation. The amount of the annual grant shall be:

(1) in the first year following consolidation, an amount equal to the amount received by the school or schools in the last year of eligibility;

(2) in the second year following consolidation, an amount equal to two-thirds of the amount received in the previous year; and

(3) in the third year following consolidation, an amount equal to one-third of the amount received in the first year following consolidation.

Sec. 12a. SMALL SCHOOL SUPPORT; METRICS

On or before July 1, 2018, the State Board of Education shall adopt and publish metrics by which it will make determinations whether to award small school support pursuant to 16 V.S.A. § 4015 on and after July 1, 2019, as amended by Sec. 12 of this act.

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

Sec. 13. 16 V.S.A. § 4010(f) is amended to read:

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

Sec. 14. DECLINING ENROLLMENT; TRANSITION

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

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

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

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

Sec. 15. [Deleted]

Sec. 16. [Deleted]

* * * Integrated Education Systems; Transition * * *

Sec. 17. GOVERNANCE TRANSITIONS TO ACHIEVE EDUCATION
POLICY GOALS; INTEGRATED EDUCATION SYSTEMS

(a) Integrated education systems. On or before July 1, 2019, the State shall provide educational opportunities through integrated education systems that are responsible for the equitable delivery of high quality education to all resident prekindergarten through grade 12 students, and that are designed to improve transparency and accountability and to promote stable, affordable education costs, all as set forth in Sec. 1 of this act.

(b) Evaluation and proposal by districts.

(1) Evaluation. Each district shall meet with one or more other districts, including those that have similar patterns of school operation and tuition payment, to evaluate the districts' structures and programs and determine how best to create and implement an integrated education system in the region. The districts do not need to be contiguous and do not need to be within the same supervisory union.

(2) Study committee and report. Except as provided in subsection (e) of this section, each district shall form a study committee with one or more other districts and prepare a study report (Report) pursuant to 16 V.S.A. chapter 11. The Report shall propose creation of a new prekindergarten–grade 12 district, or an integrated education system with more than one district pursuant to subdivision (c)(3) of this section, that is designed to enable the region to meet the goals and requirements set forth in this section and to be operational on or before July 1, 2019. The reimbursement of costs incurred when preparing the Report and other assistance to facilitate transition are available pursuant to 2012 Acts and Resolves No. 156 to the extent provided in that act.

(3) Submission of report and vote of electorate. Districts shall submit the Report to the State Board of Education and subsequently to the electorate pursuant to 16 V.S.A. chapter 11. If approved by the State Board of Education pursuant to subsection (d) of this section, and subsequently approved by the electorate on or before November 30, 2017, a Report shall be a new prekindergarten–grade 12 district’s articles of agreement pursuant to 16 V.S.A. chapter 11 and shall be the governing document of an integrated education system with more than one district.

(c) Size and structure of integrated education systems.

(1) Minimum size; waiver. Each integrated education system shall have an average daily membership of at least 1,100 students in prekindergarten

through grade 12 unless granted a waiver by the State Board of Education based upon criteria developed by the Board.

(2) Education Districts. In order to promote flexibility, transparency, and accountability, the preferred structure for an integrated education system shall be an Education District, which is supervisory district as defined in 16 V.S.A. § 11(a)(24) that is responsible for the education of all resident prekindergarten through grade 12 students and that assumes one of the following four common governance structures:

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

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

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

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

(3) Supervisory unions.

(A) Recognizing that an Education District may not be the best means of achieving the goals of this act in all regions of the State, and to the

extent necessary under subdivision (1) of this subsection (minimum ADM; waiver), subsection (g) of this section (protections for tuitioning and operating districts), or otherwise, districts may propose the creation, expansion, or continuation of a supervisory union with two or more member districts, each with a distinct school board. Supervisory unions under this subdivision are encouraged to include the smallest number of school districts as practicable. The State Board may approve the proposal pursuant to 16 V.S.A. § 261 and chapter 11, if it concludes that the proposal is the best means of achieving an integrated education system capable of meeting the goals and requirements of this section in a particular region.

(B) Notwithstanding subdivision (A) of this subdivision, the State Board shall approve a supervisory union structure only if the structure ensures transparency and accountability for the member districts and the public at large, including transparency and accountability in relation to the supervisory union budget, which may include a process by which the electorate votes directly whether to approve the proposed supervisory union budget. Pursuant to 16 V.S.A. § 261(d), the State Board may waive requirements of 16 V.S.A. chapters 5 and 7 if necessary to facilitate the vote.

(d) Evaluation by the State Board of Education. When evaluating Reports presented to it pursuant to 16 V.S.A. chapter 11 and subsection (b) of this section, the State Board shall:

(1) consider whether the proposal is designed to create an integrated education system capable of achieving the goals and requirements set forth in this section; and

(2) be mindful of any other district in the region that may become geographically isolated.

(A) At the request of the State Board, the Secretary shall work with the potentially isolated district and other districts in the region to move toward an integrated education system that is designed to achieve the goals and requirements set forth in this section.

(B) The State Board is authorized to deny approval to a proposal that would geographically isolate a district that would not be an appropriate member of another integrated education system in the region.

(e) Exceptions to requirement for study committee.

(1) Existing supervisory district. If the board of an existing supervisory district believes that the district can function as an integrated education system pursuant to this section without altering its current governance structure or joining a supervisory union, then the board may prepare and submit a Report to the State Board pursuant to subsection (b) of this section and subsequently to the electorate pursuant to 16 V.S.A. chapter 11 without forming a study committee pursuant to that chapter.

(2) Existing supervisory union. If the board of an existing supervisory union believes that all member districts can function as an integrated education system pursuant to this section by realigning their governance structures into a single Education District, then the supervisory union board may prepare and submit a Report to the State Board pursuant to subsection (b) of this section and subsequently to the electorate pursuant to 16 V.S.A. chapter 11 without forming a study committee pursuant to that chapter.

(f) Creation of integrated education systems.

(1) Secretary's proposal. If a district or group of districts does not complete the process outlined in subsection (b) of this section, or does so but does not obtain a favorable vote of all "necessary" districts on or before November 30, 2017 (collectively, the Remaining Districts), then the Secretary shall develop a proposal by which the Remaining Districts of the State shall be realigned to the extent possible to create integrated education systems pursuant to this section. If it is not possible or practicable to realign one or more Remaining Districts in a manner that meets one or more provisions of subsections (a) and (c) of this section, then, in connection with the district or districts, the proposal shall be designed in a manner that serves the best interests of the resident students, the local communities, and the State. The Secretary shall present the proposal to the State Board of Education for its consideration on or before July 1, 2018.

(2) State Board's order. On or before September 1, 2018, the State Board shall approve the Secretary's proposal in its original or in an amended form, and shall publish its order realigning Remaining Districts on the Agency's website.

(g) Interstate school districts. This section shall not apply to interstate school districts.

(h) Protection for nonoperating districts and operating districts; statement of intent.

(1) Nonoperating districts. All governance transitions achieved pursuant to this section shall preserve the ability of a district that, as of the effective date of this act, provides for the education of all resident students in one or more grades by paying tuition on the students' behalf, to continue to provide education by paying tuition on behalf of all students in the grade or grades if it chooses to do so and shall not require the district to limit the options available to students if it ceases to exist as a discrete entity and is realigned into a supervisory district or union school district.

(2) Operating districts. All governance transitions achieved pursuant to this section shall preserve the ability of a district that, as of the effective date of this act, provides for the education of all resident students in one or more grades by operating a school offering the grade or grades, to continue to provide education by operating a school for all students in the grade or grades

if it chooses to do so and shall not require the district to pay tuition for students if it ceases to exist as a discrete entity and is realigned into a supervisory district or union school district.

(3) Statement of intent. Nothing in this section shall be construed to restrict or repeal, or to authorize or require the restriction or repeal of, the ability of a school district that, as of the effective date of this act, provides for the education of all resident students in one or more grades:

(A) by paying tuition on the students' behalf, to continue to provide education by paying tuition on behalf of all students in the grade or grades if it chooses to do so; or

(B) by operating a school offering the grade or grades, to continue to provide education by operating a school for all students in the grade or grades if it chooses to do so.

Sec. 18. TAX INCENTIVES; PREKINDERGARTEN–GRADE 12

DISTRICT

(a) Tax incentive. Subject to subsection (c) of this section, a prekindergarten–grade 12 district created pursuant to Sec. 17 of this act shall receive an equalization of its homestead property tax rates during fiscal years 2020 through 2023 as follows:

(1)(A) Subject to the provisions of subdivision (2) of this subsection and notwithstanding any other provision of law, the district's equalized homestead property tax rate shall be:

- (i) decreased by \$0.08 in fiscal year 2020;
- (ii) decreased by \$0.06 in fiscal year 2021;
- (iii) decreased by \$0.04 in fiscal year 2022; and
- (iv) decreased by \$0.02 in fiscal year 2023.

(B) The household income percentage shall be calculated accordingly.

(2) During the years in which a district's equalized homestead property tax rate is decreased pursuant to this subsection, the rate for each town within the district shall not increase or decrease by more than five percent in a single year. The household income percentage shall be calculated accordingly.

(b) Common level of appraisal. On and after the effective date of merger, the common level of appraisal shall be calculated independently for each town within the district for purposes of determining the homestead property tax rate for each town.

(c) Applicability.

(1) This section shall apply only to a prekindergarten–grade 12 district that obtains a favorable vote of all “necessary” districts on or before

November 30, 2017, is operational on or before July 1, 2019, and is either a supervisory district or has an average daily membership of 1,100, or both.

(2) This section shall not apply to a regional education district or one of its variations that receives incentives pursuant to 2010 Acts and Resolves No. 153, Sec. 4, as amended by 2012 Acts and Resolves No. 156, Sec. 13.

* * * Sale of School Buildings * * *

Sec. 19. SALE OF SCHOOL BUILDINGS

(a) Notwithstanding 16 V.S.A. § 3448(b), the refund upon sale requirement shall not apply to:

(1) any union school district established under 16 V.S.A. chapter 11 on or after July 1, 2015; and

(2) any two or more districts that enter into a contract pursuant to 16 V.S.A. chapter 11, subchapter 1 on or after July 1, 2015 to operate a school jointly.

(b) As used in subsection (a) of this section, a union school district established under 16 V.S.A. chapter 11 includes any integrated education system that obtains a favorable vote of all “necessary” districts as provided in this act, and any regional education district (RED) or any other district eligible to receive RED incentives pursuant to 2010 Acts and Resolves No. 153, as amended by 2012 Acts and Resolves No. 156 and 2013 Acts and Resolves No. 56.

Sec. 19a. REVIEW OF THE REFUND UPON SALE REQUIREMENT

(a) The Agency of Education shall conduct a review of the school districts subject to 16 V.S.A. § 3448(b). The review shall include:

(1) each school district that has received State aid for school construction;

(2) the total amount of State aid for school construction that has been refunded to the State;

(3) the percentage of the sale price that each school district would be required to refund to the State upon the sale of a school building; and

(4) a list of all school buildings that are not in use for any purpose.

(b) On or before December 1, 2015, the Agency of Education shall report to the House Committees on Education and on Corrections and Institutions and the Senate Committees on Education and on Institutions on the review described in subsection (a) of this section.

Sec. 19b. SUNSET

Sec. 19 of this act (sale of school buildings) is repealed on November 30, 2017.

* * * Voluntary Mergers; Incentives; REDS * * *

Sec. 20. 2010 Acts and Resolves No. 153, Sec. 2(a), as amended by 2012

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

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

program under which the incentives outlined in Sec. 4 of this act shall be available to each new unified union school district created pursuant to Sec. 3 of this act and to each new district created under Sec. 3 of this act by the merger of districts that provide education by paying tuition; and to the Vermont members of any new interstate school district if the Vermont members jointly satisfy the size criterion of Sec. 3(a)(1) of this act and the new, merged district meets all other requirements of Sec. 3 of this act. Incentives shall be available, however, only if the ~~effective date of merger is on or before July 1~~ merger receives final approval of the electorate prior to November 30, 2017.

Sec. 21. 2010 Acts and Resolves No. 153, Sec. 4, as amended by 2012 Acts and Resolves No. 156, Sec. 13, is further amended to read:

Sec. 4. VOLUNTARY SCHOOL DISTRICT MERGER; INCENTIVES

* * *

(h) ~~This section is repealed on July 1, 2017.~~ The incentives provided in this section shall be available only if the merger receives final approval of the electorate prior to November 30, 2017 or as otherwise provided by the General Assembly.

* * * Recently Merged Districts; Articles of Agreement * * *

Sec. 22. ARTICLES OF AGREEMENT; MERGED DISTRICT

If on or before the effective date of this section the voters of all “necessary” districts granted final approval under 16 V.S.A. chapter 11 to form a regional

education district (RED) or any other district eligible to receive RED incentives pursuant to 2010 Acts and Resolves No. 153, as amended by 2012 Acts and Resolves No. 156 and 2013 Acts and Resolves No. 56, and if the merged district's voter-approved articles of agreement specifically identify the process by which another district may become or seek to become a member of the merged district in the future, then nothing in this act shall abrogate or otherwise alter that process.

* * * Data; Quality Assurance; Accountability * * *

Sec. 23. DATA; QUALITY ASSURANCE; ACCOUNTABILITY

On or before July 1, 2017, the Agency of Education shall have fully implemented statewide, integrated systems to maintain financial reporting and accounting data and longitudinal student data that are designed to measure and compare on a district-to-district basis:

(1) the quality and variety of educational opportunities available to students throughout the State;

(2) student outcomes; and

(3) financial costs.

Sec. 24. [Deleted]

* * * Transition of Employees * * *

Sec. 25. 16 V.S.A. chapter 53, subchapter 3 is added to read:

Subchapter 3. Transition of Employees

§ 1801. DEFINITIONS

As used in this subchapter:

(1) “New District” means a district created by the realignment or merger of two or more current districts into a new supervisory district, union school district, or any other form of merged or realigned district authorized by law, regardless of whether one or more of the districts creating the New District (a Realigning District) is a town school district, a city school district, an incorporated school district, a union school district, a unified union school district, or a supervisory district.

(2) “New SU” means a supervisory union created from the merger or realignment of two or more current supervisory unions or of all or some of the districts in one or more current supervisory unions (a Realigning SU). “New SU” also means a supervisory union created by the State Board’s adjustment of the borders of one or more current supervisory unions or parts of supervisory unions pursuant to section 261 of this title or otherwise, regardless of whether the New SU is known by the name of one of the current supervisory unions or the adjustment is otherwise structured or considered to be one in which one

current supervisory union (the Absorbing SU) is absorbing one or more other supervisory unions or parts of supervisory unions into the Absorbing SU.

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

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

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

§ 1802. TRANSITION OF EMPLOYEES TO NEWLY CREATED

EMPLOYER

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

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

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

(b) Negotiations shall commence within 90 days after formation of the Transitional Board and shall be conducted pursuant to the provisions of chapter 57 of this title for teachers and administrators and pursuant to 21 V.S.A. chapter 22 for other employees.

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

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

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

(2) the parties shall adhere to the provisions of an agreement among the Employees of the Realigning Districts or the Realigning SUs, as represented by their respective recognized representatives, regarding how provisions under the existing contracts regarding issues of seniority, reduction in force, layoff,

and recall will be reconciled during the period prior to ratification of a new agreement; and

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

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

§ 1803. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

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

(b) The existing membership and benefits of an Employee of a Realigning District or a Realigning SU shall not be impaired or reduced either by

negotiations with the New District or New SU under 21 V.S.A. chapter 22 or otherwise.

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

* * * Unfunded Mandates; General Fund * * *

Sec. 26. 16 V.S.A. § 4028(e) is added to read:

(e) On or before June 30 of each year, the Joint Fiscal Office shall determine the total dollar amount required for supervisory unions and school districts to perform all new unfunded mandates imposed upon them in the fiscal year beginning on July 1. The amount shall be added to the General Fund transfer in subdivision 4025(a)(2) of this title in the next fiscal year and in each subsequent fiscal year unless the General Assembly repeals the mandate. For each year that an increase is required under this subsection, the Administration shall explicitly identify the amount in the report required by 32 V.S.A. § 306. As used in this subsection, an “unfunded mandate” means a State statute or rule that requires a supervisory union or school district to perform certain actions for which no new source of funding or funding mechanism is provided.

* * * Education Spending Cap * * *

Sec. 27. EDUCATION SPENDING CAP

(a) Intent. It is the intent of the General Assembly that, to the extent possible, adherence to the education spending cap is accomplished by adjustment of the student-to-adult ratio.

(b) Definitions. As used in this section:

(1) "District allowable growth rate" means 2.0 percent divided by the district spending index.

(2) "District spending index" means a district's education spending per equalized pupil in the prior year divided by the statewide average education spending per equalized pupil in the prior year.

(c) Adjusted district education spending cap. Subject to Sec. 28 of this act and notwithstanding any other provision of law to the contrary, there shall be an adjusted district education spending cap amount for each school district that shall be determined in each fiscal year by multiplying the district's allowable growth rate by the greater of either:

(1) the total district education spending amount adopted in the previous year's budget; or

(2) the district education spending per equalized pupil amount adopted in the previous year's budget multiplied by the district's equalized pupil count in the current year.

(d) Nonoperating and partially operating districts.

(1) Nonoperating districts. Notwithstanding any other provisions of law, in the case of nonoperating districts, in no case shall elementary and secondary tuition, as appropriate, paid by a district exceed the highest amount of tuition paid by the district for one student in the fiscal year for which the amount is being determined, increased by the district allowable growth rate. A public school district shall not charge any additional tuition to the student, the student's parent or guardian, or the student's school district of residence, but may require the student or the student's parent or guardian to pay fees and other charges that nonpublicly funded students are also required to pay.

(2) Partially operating districts. If a district provides for the education of its resident students both by operating a school for all students in one or more grades and by paying tuition for all students in the remaining grade or grades, then:

(A) the cap set forth in subsection (c) of this section shall apply to that portion of the district's budget that is not attributable to tuition payments; and

(B) the cap set forth in subdivision (1) of this subsection (d) shall apply to that portion of the district's budget that is attributable to tuition payments.

(e) School budget. If any school district approves a budget that contains education spending in excess of the applicable cap described in subsection (c) of this section, then the budget shall be deemed to have failed to pass.

(f) Appeals.

(1) A school district shall have the right to appeal the amount of the education spending cap to the Secretary of Education if the appeal is submitted three months or more prior to the date that the school district votes on the budget. The Secretary shall make a determination to grant or deny an appeal within 30 days of receipt of an appeal, and his or her decision shall be final and not subject to review.

(2) The Secretary is authorized to grant an appeal for extraordinary expenses, including a 20 percent projected increase in the costs of special education needs and emergency infrastructure repair projects.

(3) The Secretary shall adopt guidelines to administer this subsection.

Sec. 28. EDUCATION SPENDING CAP; APPLICABILITY

The education spending cap in Sec. 27 of this act shall apply solely to proposed school budgets for fiscal years 2018 and 2019; provided, however:

(1) The cap shall apply to proposed school budgets for fiscal year 2018 only if the total statewide education spending in fiscal year 2017 increases by more than 2.95 percent above the total statewide education spending in fiscal year 2016.

(2) If the cap did not apply to proposed school budgets for fiscal year 2018, then the cap shall apply to proposed school budgets for fiscal year 2019 only if the total statewide education spending in fiscal year 2018 increases by more than 2.95 percent above the total statewide education spending in fiscal year 2017.

* * * Special Education; Funding; Average Daily Membership; Study * * *

Sec. 29. SPECIAL EDUCATION; FUNDING; AVERAGE DAILY
MEMBERSHIP; STUDY AND PROPOSAL

On or before January 15, 2016, the Secretary of Education shall develop and present to the House and Senate Committees on Education a proposal for an alternative funding model for the provision of special education services in Vermont. In developing the proposal, the Secretary shall

(1) consult with experts in the provision or funding of special education services;

(2) consider the report regarding the use of paraprofessionals to provide special education services required by the General Assembly pursuant to 2014 Acts and Resolves No. 95, Sec. 79a;

(3) consider ways in which some portion of State funds for special education services could be provided to school districts or supervisory unions based on average daily membership; and

(4) consider ways in which the proposal could also help to reduce administrative responsibilities at the local level and increase flexibility in the provision of services.

* * * Principals and Superintendents; Study * * *

Sec. 30. PRINCIPALS AND SUPERINTENDENTS; STUDY AND
PROPOSAL

On or before January 15, 2016, the Secretary of Education, in consultation with the Vermont Superintendents Association, the Vermont School Boards Association, and the Vermont Principals' Association, shall develop and present to the House and Senate Committees on Education a proposal to clarify the roles of superintendents as systems managers and principals as instructional leaders. The proposal shall also address superintendents' and principals' relative responsibilities of supervision and evaluation.

* * * Property Tax Adjustment Lag; Study * * *

Sec. 31. YEAR USED TO CALCULATE PROPERTY TAX
ADJUSTMENTS

On or before January 15, 2016, the Commissioner of Taxes shall report to the General Assembly on the steps that would be required to transition to calculation of the property tax adjustments under 32 V.S.A. chapter 154 on a current year basis. As used in this section, "a current year basis" means using the current year's homestead adjusted tax rates, the current year's assessed

property values, and the taxable income from the prior calendar year to calculate a property tax adjustment filed in the current claim year. In preparing the report, the Commissioner shall consult with the Vermont Association of Listers and Assessors, the Vermont League of Cities and Towns, and any other interested stakeholders identified by the Commissioner.

* * * Adequacy Funding; Study * * *

Sec. 32. ADEQUACY FUNDING; STUDY

(a) Adequacy funding study. On or before July 15, 2015, the Joint Fiscal Office, in consultation with the President Pro Tempore of the Senate, the Speaker of the House, and the Chairs of the House and Senate Committees on Education, shall develop a request for proposals to conduct a study of the implementation of an adequacy-based education funding system in the State, including a recommendation on the determination of adequacy. The Joint Fiscal Office shall select and enter into a contract with a consultant from among those submitting proposals.

(1) The recommendation for the adequacy determination shall be based on the educational standards adopted under Vermont law, including adherence to Brigham v. Vermont, 166 Vt. 246 (1997), and the promotion of substantial equality of educational opportunity for all Vermont students. The determination shall consider all sources of spending related to education, including spending that is currently characterized as categorical grants, but not

including capital expenditures. The determination shall be reached using one of the following four methods: the evidence-based model, the professional judgment model, the successful schools model, or the cost function model.

(2) The consultant shall incorporate the following into the study:

(A) a review of the existing studies of Vermont's education finance system since the enactment of 1998 Acts and Resolves No. 60 and 2004 Acts and Resolves No. 68;

(B) a review of the existing data collected by the Agency of Education and the Department of Taxes related to the Vermont education finance system under Act 60 and Act 68; and

(C) a review of adequacy funding systems in comparable states with an emphasis on states in New England and states committed to equity.

(b) Interested stakeholders. The consultant selected shall carry out public participation activities with interested stakeholders as part of its study.

(c) Report. On or before January 15, 2016, the consultant shall submit a report to the General Assembly on the study required by this section.

(d) Technical assistance. The Agency of Education, the Department of Taxes, the Joint Fiscal Office, and the Office of Legislative Council shall assist the consultant with gathering data required for the study.

(e) Funding. Notwithstanding any provision of 16 V.S.A. § 4025(d) to the contrary and prior to any reversions, of the amount appropriated in fiscal year

2015 pursuant to 2014 Acts and Resolves No. 179, Sec. B.505, the sum of up to \$300,000.00 shall be transferred to the Joint Fiscal Office for use in fiscal year 2016 for the purposes of this section.

* * * Joint Legislative Education Oversight Committee * * *

Sec. 33. 2 V.S.A. chapter 29 is added to read:

CHAPTER 29. JOINT LEGISLATIVE EDUCATION

OVERSIGHT COMMITTEE

§ 991. JOINT LEGISLATIVE EDUCATION OVERSIGHT COMMITTEE

(a) Creation. There is created a Joint Legislative Education Oversight Committee. The Committee shall monitor, evaluate, research, oversee, and provide a continuing review of matters concerning education policy, education funding, and student outcomes and the intersections of each with corrections, economic development, health care, and human services issues and shall provide information and assistance to other legislative committees on these matters.

(b) Membership. The Committee shall consist of six members who are appointed biennially. The members shall be the Chair or the Chair's designee of each of the following committees: The House and Senate Committees on Appropriations and on Education, the House Committee on Ways and Means, and the Senate Committee on Finance.

(c) Powers and duties. In addition to the general duties of the Committee as set forth in subsection (a) of this section, the Committee shall:

(1) evaluate legislative policy and funding initiatives when the General Assembly is not in session, including the progress and consequences of consolidation efforts;

(2) at the request of the House or Senate Committee on Education, research and examine issues that may lead to future legislative action;

(3) assess the work of the Agency of Education to implement Quality Review Teams; and

(4) evaluate the ways in which education policy, education funding, and student outcomes intersect with corrections, economic development, health care, and human services issues.

(d) Officers. The Committee shall elect a chair, vice chair, and clerk from among its members and shall adopt rules of procedure to perform its duties. The Chair shall rotate biennially between the House and Senate members, and a member from the other body shall serve as the Vice Chair.

(e) Quorum and voting.

(1) A majority of the members of the entire Committee, whether physically present at the meeting location or participating remotely, constitutes a quorum for the purpose of discussing the business of the Committee.

(2) A majority of the members of the entire Committee must be physically present or electronically at the same location to constitute a quorum for the purpose of voting to take action.

(3) A member of the Committee may vote on an action only if he or she is physically or electronically present at the meeting location.

(4) An action may be taken by the Committee only by assent of a majority of the members attending and voting, assuming a quorum.

(f) Meetings. When the General Assembly is in session, the Committee shall meet at the call of the Chair. The Committee may meet six times during adjournment and may meet more often subject to approval of the Speaker of the House and the President Pro Tempore of the Senate.

(g) Reimbursement. For attendance at meetings during adjournment of the General Assembly, members of the Committee shall be entitled to per diem compensation and reimbursement of expenses pursuant to 2 V.S.A. § 406.

(h) Assistance. The Committee shall have the administrative, technical, and legal assistance of the Office of Legislative Council and the Joint Fiscal Office.

(i) Report. Notwithstanding 2 V.S.A. § 20(d), the Committee shall report its activities at least annually to the General Assembly on or before January 15, together with any recommendations for legislative or other action. The report shall be in brief summary form.

Sec. 34. TRANSITION

(a) The Chair of the House Committee on Education shall call the first meeting of the Joint Legislative Education Oversight Committee to occur on or before August 1, 2015.

(b) The members shall elect a member from the House of Representatives to serve as its initial Chair.

* * * Education Spending; Health Care Costs * * *

Sec. 35. EDUCATION SPENDING: HEALTH CARE COSTS

(a) Findings. The General Assembly finds:

(1) Health care expenses are a major cause of increases in school budgets and education property taxes.

(2) Until the State solves the problems associated with the cost of health care, it will be increasingly difficult for school districts to contain education spending and education property taxes.

(b) On or before November 1, 2015, the Director of Health Care Reform in the Agency of Administration shall report to the Health Reform Oversight Committee, the House and Senate Committees on Education, the House Committee on Health Care, and the Senate Committee on Health and Welfare with options for:

(1) the design of health benefits for school employees that will not trigger the excise tax on high-cost, employer-sponsored insurance plans pursuant to 26 U.S.C. § 4980I; and

(2) ways to administer the school employees' health benefits, including possibly through the Vermont Education Health Initiative (VEHI), Vermont Health Connect (VHC), or through another applicable mechanism.

(c) When identifying and analyzing the options required by subsection (b) of this section, the Director shall consult with representatives of the Vermont – National Education Association, the Vermont School Boards' Association, VEHI, VHC, the Office of the Treasurer, and the Joint Fiscal Office.

* * * Authorization; Existing Financial Incentives * * *

Sec. 35a. AUTHORIZATION; FINANCIAL INCENTIVES

Prior to any reversions, of the amount appropriated in fiscal year 2015 pursuant to 2014 Acts and Resolves No. 179, Sec. B.505, the sum of \$620,000.00 may be expended by the Agency of Education in fiscal year 2016 for the reimbursement of costs and payment of other financial incentives available pursuant to 2012 Acts and Resolves No. 156 to two or more school districts or two or more supervisory unions that are exploring or implementing joint activity, including merger into a regional education district or one of its variations.

* * * Designation of Secondary Schools * * *

Sec. 35b. 16 V.S.A. § 827 is amended to read:

§ 827. DESIGNATION OF A PUBLIC HIGH SCHOOL OR AN

APPROVED INDEPENDENT HIGH SCHOOL AS THE ~~SOLE~~

PUBLIC HIGH SCHOOL OF A SCHOOL DISTRICT

(a) A school district not maintaining an approved public high school may vote on such terms or conditions as it deems appropriate, to designate ~~an~~ three or fewer approved independent ~~school or a~~ or public ~~school~~ high schools as the public high school or schools of the district.

(b) Except as otherwise provided in this section, if the board of trustees or the school board of ~~the~~ a designated school votes to accept this designation, the school shall be regarded as a public school for tuition purposes under subsection 824(b) of this title, and the sending school district shall pay tuition only to that school only, and to any other school designated under this section, until such time as the sending school district or the designated school votes to rescind the designation.

(c) A parent or legal guardian who is dissatisfied with the instruction provided at ~~the~~ a designated school or who cannot obtain for his or her child the kind of course or instruction desired there, or whose child can be better accommodated in an approved independent or public high school nearer his or her home during the next academic year, may request on or before April 15

that the school board pay tuition to another approved independent or public high school selected by the parent or guardian.

(d) The school board may pay tuition to another approved high school as requested by the parent or legal guardian if in its judgment that will best serve the interests of the student. Its decision shall be final in regard to the institution the student may attend. If the board approves the parent's request, the board shall pay tuition for the student in an amount not to exceed the least of:

(1) The statewide average announced tuition of Vermont union high schools.

(2) The per-pupil tuition the district pays to the designated school in the year in which the student is enrolled in the nondesignated school. If the district has designated more than one school pursuant to this section, then it shall be the lowest per-pupil tuition paid to a designated school.

(3) The tuition charged by the approved nondesignated school in the year in which the student is enrolled.

* * *

* * * Effective Dates * * *

Sec. 36. EFFECTIVE DATES

(a) This section (effective dates) and Sec. 1 (policy) shall take effect on passage.

(b) Secs. 2 through 5 (yield; dollar equivalent) shall take effect on July 1, 2015, and apply to fiscal year 2017 and after.

(c) Secs. 6 and 7 (fiscal year 2016; tax rates; base education amount) shall take effect on July 1, 2015, and apply to fiscal year 2016.

(d) Secs. 8 and 9 (ballot language; per pupil spending) shall take effect on July 1, 2015.

(e) Secs. 10 and 11 (merger support grants) shall take effect on passage.

(f) Sec. 12 (small school support) shall take effect on July 1, 2019, and shall apply to grants made in fiscal year 2020 and after. Sec. 12a (small school support; metrics) shall take effect on July 1, 2015.

(g) Sec. 13 (declining enrollment; hold-harmless provision) shall take effect on July 1, 2016.

(h) Sec. 14 (declining enrollment; hold-harmless provision; transition) shall take effect on July 1, 2015.

(i) [Deleted]

(j) Sec. 17 (governance transitions) shall take effect on passage.

(k) Sec. 18 (tax incentives) shall take effect on passage.

(l) Sec. 19 (repayment of State construction aid) shall take effect on passage.

(m) Secs. 20 and 21 (REDS; incentives for merger; effective dates) shall take effect on passage.

(n) Sec. 22 (articles of agreement; merged district) shall take effect on passage.

(o) Sec. 23 (data; quality assurance; accountability) shall take effect on July 1, 2015.

(p) Sec. 24 (contract imposition; strikes; binding interest arbitration) shall take effect on passage.

(q) Sec. 25 (employee transition) shall take effect on passage and apply to any New District or New SU that has its first day of existence on or after that date.

(r) Sec. 26 (education mandates; General Fund) shall take effect on passage.

(s) Secs. 27 and 28 (education spending cap; creation; applicability) shall take effect on July 1, 2015.

(t) Sec. 29 (special education funding; average daily membership; study) shall take effect on passage.

(u) Sec. 30 (superintendents and principals; study) shall take effect on passage.

(v) Sec. 31 (property tax adjustment lag; study) shall take effect on July 1, 2015.

(w) Sec. 32 (adequacy funding model; study) shall take effect on passage.

(x) Secs. 33 and 34 (Joint Legislative Education Oversight Committee)

shall take effect on passage.

(y) Sec. 35 (health care costs; working group) shall take effect on passage.

(z) Sec. 35a shall take effect on passage.

(aa) Sec. 35b (designation) shall take effect on July 1, 2015.