

**H.361 – Education Funding, Spending, and Governance
As Introduced
Section by Section Summary**

DRAFT!

Sec. 1. Education Policy Goals; Performance Measures (*pages 1–3*)

Secs. 2–5. Yield; Dollar Equivalent (*pages 3–7*)

These sections would replace the base education amount used to calculate base tax rates each year with a “dollar equivalent” that states the amount of per pupil spending that could be supported each year by a fixed base tax rate.

Sec. 2 defines “dollar equivalent” as the amount raised per pupil in a given year, assuming a homestead base tax rate of \$1.00, an applicable percentage of 2.0, and statutory reserves of five percent.

Sec. 3 sets the homestead base tax rate in statute at \$1.00.

Sec. 4 deletes current law related to the Commissioner of Taxes annual recommendations on the homestead and nonresidential base rates, and adds new language requiring the Commissioner to announce the dollar equivalent for the upcoming fiscal year.

Sec. 5 changes the definition of district spending adjustment to replace the base education amount with the dollar equivalent. A district’s tax rate will now vary based on the relationship of the district’s spending to the announced dollar equivalent.

Effective Date: *July 1, 2015; apply to fiscal year 2017 and after*

Secs. 6–7. Fiscal Year 2016 Property Tax Rates, Applicable Percentage, and Base Education Amount (*page 8*)

These sections establish the fiscal year 2016 property tax rates at \$1.535 and \$1.00, the applicable percentage at no less than 1.94 percent, and the base education amount at \$9,459.00.

Effective Date: *July 1, 2015; applies to fiscal year 2016*

Secs. 8–9. Ballot Language; Per Pupil Spending (*pages 9–13*)

Sec. 8 requires the Warning for a school district’s proposed budget to state (1) the total budget in terms of per equalized pupil spending and (2) the percentage increase or decrease of per equalized pupil spending in relation to previous year.

Secs. 8 and 9 repeal language that is no longer in effect regarding presenting budgets by means of a divided vote.

Effective Date: July 1, 2015

Secs. 10–11. Merger Support Grants (for Districts Receiving Small School Grants)
(*pages 13–15*)

Current law provides small school grants based on numbers calculated in relation to district size. If an eligible district merges with another district, then it may become ineligible for small school grants. As an incentive to create a Regional Education District (RED), Act 153 of 2010 permitted a newly created RED (or any one of its variations) to continue to receive the small school grant for five years as a Merger Support Grant in an amount equal to the small school grant received two years prior to merger.

Sec. 10 removes the five year limitation from the Merger Support Grants provided to REDs and their variations, allowing the grant to continue unless and until a merged district closes the school that created the original eligibility for the small school grant. If closure of the school is connected with the consolidation of schools into a new building or into an existing building that needs renovation, then the grant is paid until the bonded indebtedness is retired.

Sec. 11(a) provides Merger Support Grants, as amended by Sec. 10, to districts that merge pursuant to Sec. 17 of this act, provided that the merger receives final approval of the electorate in all “necessary districts” by November 30, 2017 and the new district is operational by July 1, 2019.

Sec. 11(b) provides Merger Support Grants, as amended by Sec. 10, to districts that enter into a contract to operate a school or schools jointly, provided that the electorate of all affected districts vote favorably for the terms of the final contract by November 30, 2017.

Effective Date: On passage

Sec. 12. Small Schools Support (pages 15–17)

Amends current small school grants beginning in FY2020 by limiting grants to districts:

- with an average grade size of 20 or fewer students,
- that participated in a merger study committee, and
- that the State Board of Education determines to be eligible annually due to the school's high student-to-staff ratios, lengthy driving times or inhospitable routes to the nearest school(s) with excess capacity, and success in meeting educational quality standards

In addition, in FY2020 the section repeals the additional small schools financial stability grant provided to districts with rapidly declining populations. It also repeals obsolete language.

Effective Date: July 1, 2019; applies to fiscal year 2020 and after

Secs. 13–14. Declining Enrollment; 3.5% Hold Harmless Provision (page 18)

Under current law, the 3.5 % hold harmless provision is applied to the prior year's inflated equalized pupils.

Sec. 13 removes the “tail” by applying the 3.5% to the district's actual equalized pupils from the prior year, so a district's percentage of “phantom pupils” is never more than 3.5%.

Sec. 14 transitions districts that currently have inflated equalized pupils to the new system over a three year period (so it applies to them in FY2019).

Effective Dates: Sec. 13: July 1, 2016; Sec. 14: July 1, 2015

Secs. 15–16. Tuition Payments (pages 19–20)

Prohibits payment of publicly funded tuition dollars to schools outside the State or country, except in any of the following situations:

- the school that is located outside Vermont is part of an interstate school district
- all resident students of a district in one or more grades attend a school outside Vermont pursuant to statute
- the State Board determines that payment to a school outside Vermont is geographically necessary
- some or all career technical students attend a school outside Vermont pursuant to statute
- a student attends a school outside Vermont pursuant to his or her IEP (residential or day)
- the school is in a community in NH, MA, NT, or Canada that borders Vermont

Effective Date: July 1, 2015; applies to fiscal year 2017 – **grandfathers current students**

Sec. 17. Integrated Education Systems (pages 21–30)

Subsection (a) requires that by July 1, 2019 the State shall provide educational opportunities through integrated education systems that are *responsible for* the education of all prekindergarten through grade 12 students and that advance goals set forth in the subsection and Sec. 1. Among other things, the goals relate to equitable educational opportunities; educational outcomes; stable leadership; the flexible and efficient use of fiscal, human, and facility resources; increased student-to-adult ratios; budgetary stability and less volatility for taxpayers; and community engagement. Each integrated education system would have a minimum average daily membership of 1,100, unless it were granted a waiver by the State Board of Education.

Subsection (b) requires each district to form a study committee with one or more other districts within or outside its supervisory union that have similar patterns of school operation and tuition payment. The committee prepares a study report (Report) pursuant to 16 V.S.A. chapter 11 proposing how best to create a new district, or a prekindergarten–grade 12 education system with more than one district *{see (c) below}*, that provides for the education of resident prekindergarten through grade 12 students by realigning neighboring districts. As provided in chapter 11, once approved by the voters and subsequently by the electorate of each district, the Report becomes the new entity’s articles of agreement. The Report addresses issues specified in chapter 11 and also issues of particular interest to the districts.

Subsection (c):

- requires the State Board of Education to evaluate the Reports pursuant to chapter 11 and determine whether the proposal contained in the report is designed to create an integrated education system capable of achieving the goals and requirements in subsection (a)
- requires the State Board to be mindful of neighboring districts that might be isolated if not included in the proposal and to direct the Secretary to work with the districts to achieve a proposal that meets the requirements without isolating a district
- authorizes the State Board to withhold approval from a proposal that isolates a district
- authorizes the State Board to approve the creation of or continuation of an SU with two or more member districts if it is the best way to achieve the goals in (a); provided that it may approve the SU structure only if the structure ensures transparency and accountability in relation to the SU budget, which may include a process by which the electorate votes directly whether to approve the proposed SU budget

Subsection (d) permits (i) an existing supervisory district or (ii) a supervisory union in which it would be structurally simple to merge into a supervisory district to present a proposal without first convening a study committee. The State Board would evaluate the proposal exactly as it evaluates all proposals (including being mindful of isolating a district).

Subsection (e):

- for districts that don't complete the process outlined above, or are unable to get a favorable vote of all "necessary" districts by November 30, 2017, the subsection requires the Secretary of Education to review those districts and submit a proposal by July 1, 2108 to the State Board to realign any of those districts to the extent realignment is necessary to achieve the goals and requirements of (a)
- by September 1, 2018, the State Board is required to approve the proposal, as presented or in an amended form, and to publish an order realigning the districts included in the approved proposal
- the State Board is required to provide model articles of agreement to guide these districts to transition to the new structure until they are able to adopt their own amended articles

Subsection (f) excludes interstate districts from the requirements of the section.

Subsection (g) ensures that districts that pay tuition for resident students in some or all grades will not be required to stop paying tuition for their students. The subsection provides the same assurance to districts that choose to provide for the education of resident students in some or all grades by operating schools – nothing requires them to pay tuition for those students.

Subsection (h) requires the State Board to develop guidelines, based on the performance measures adopted pursuant to Sec. 1, to guide (i) districts as they prepare their proposals and (ii) the State Board as it evaluates them.

Subsection (i) requires the Office of Legislative Council to prepare a draft bill making all necessary statutory amendments. Due December 1, 2015.

Effective Date: On passage

Sec. 18. Tax Incentives; Integrated Education Systems (page 30)

Provides RED tax incentives in FY 2020–2023 to any integrated education system (Sec. 17) that receives final approval of the electorate in all "necessary districts" by November 30, 2017 and is operational by July 1, 2019.

Effective Date: On passage

Sec. 19. Repayment of State Construction Aid (*pages 30–31*)

Repeals statutory requirements that school districts repay a portion of State construction aid upon sale of a school building.

Effective Date: On passage

Secs. 20–21. REDs – Dates and Technical Corrections (*pages 31–32*)

Current law provides RED incentives to REDs and the three variations if they are fully *operational* by July 1, 2107. The current section authorizing the incentives is mistakenly repealed on that same date.

Sec. 20 extends RED incentives to districts that receive *final approval* of the electorate in all “necessary districts” by November 30, 2017.

Sec. 21 replaces the repeal date with a reference to the dates determining eligibility.

Effective Date: On passage

Sec. 22. Recently Merged Districts; Articles of Agreement (*page 32*)

Provides that if a RED or other district that is eligible to receive RED incentives received final electorate approval before the effective date of the section and if the merged district’s electorate-approved articles of agreement specifically identified the manner in which another district may join the merged district in the future, then nothing in the act abrogates or alters that provision.

Effective Date: On passage

**Sec. 23. Statewide Integrated Financial Reporting and Accounting System;
Statewide Integrated Longitudinal Student Data System** (*page 33*)

Requires the Agency of Education to fully implement the statewide integrated financial reporting and accounting system and the statewide integrated longitudinal student data system by July 1, 2017.

Effective Date: July 1, 2015

Sec. 24. Contract Imposition; Strikes; Binding Interest Arbitration (page 33)

Requires the Secretary of Education, in consultation with other named entities, to evaluate current collective bargaining laws as they relate to contract imposition, strikes, and binding interest arbitration and present a proposal to the House and Senate Education Committees by January 15, 2016.

Effective Date: On passage

Sec. 25. Employee Transition to Newly Created Employers (pages 34–38)

Codifies as a new chapter 53, subchapter 3 in Title 16 several new statutory sections relating to the orderly transition of employees to a newly created district or to the supervisory union level, including protection of the interests of non-licensed employees in the Vermont Municipal Employees' Retirement System. Beginning in 2010, the General Assembly has enacted variations of this language as session law several times in connection with different specific situations.

Effective Date: On passage; applies to a new employer that begins operations after that date

Sec. 26. Moratorium (pages 38–39)

Requires JFO to prepare a fiscal note for any legislation that it believes may have the effect of increasing education property taxes and imposes a moratorium through June 30, 2016 on any new legislation that JFO determines would do so.

Effective Date: On passage

Secs. 27–28. Education Spending Cap (page 39)

Sec. 27 sets a 2% cap on a school district's allowable increase in education spending from the previous year. If a budget is approved by a school district with greater than a 2% increase in education spending from the previous year, then the budget would be deemed to have failed to obtain approval of the voters. In addition, it prohibits a school district from borrowing any amount for operating costs to meet the 2% cap amount in an approved budget.

Sec. 28 repeals the education spending cap on December 31, 2018.

Effective Date: July 1, 2015; applies to proposed budgets for FYs 2017, 2018, and 2019

Sec. 29. Special Education Funding; Study (page 40)

Requires the Secretary of Education to develop a proposal for an alternative method of funding special education services, which might be based in part on payments per average daily membership. Due January 15, 2016.

Effective Date: On passage

Sec. 30. Superintendents and Principals; Study (page 41)

Requires the Secretary of Education, in consultation with other entities, to develop a proposal to clarify the roles and responsibilities of superintendents and principals. Due January 15, 2016.

Effective Date: On passage

Sec. 31. Property Tax Adjustment Lag; Study (pages 41–42)

Requires the Commissioner of Taxes to report 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. Due January 15, 2016.

Effective Date: On passage

Sec. 32. Adequacy Funding; Study (pages 42–43)

Directs the Joint Fiscal Office, in consultation with the President Pro Temp, Speaker, and Chairs of the Education Committees to develop requests for proposals to hire, by July 15, 2015, a consultant to conduct a study of adequacy-based funding. The section sets forth the standards and methods that should be used by the consultant to conduct the adequacy study. It also requires the consultant to incorporate certain data and studies into the adequacy study and to conduct public participation activities with interested stakeholders. The section provides the consultant with technical assistance from the Agency of Education, Department of Taxes, Joint Fiscal Office, and Office of Legislative Council. Due January 15, 2016.

Authorizes the Joint Fiscal Office to spend \$300,000 from the General Fund to pay for the study and related expenses.

Effective Date: On passage

Secs. 33–34. Joint Legislative Education Oversight Committee; Transition (*pages 44–47*)

Creates a Joint Legislative Education Oversight Committee in a new 2 V.S.A. chapter 29, consisting of three members from the House and three from the Senate, to 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. The Committee would also provide information and assistance to other legislative committees on these matters and report at least once annually.

Effective Date: On passage

Sec. 35. Health Care Costs; Working Group; Study (*pages 47–48*)

Requires the Commissioner of Vermont Health Access and the Secretary of Education to convene a working group to consider alternatives available to school districts, supervisory unions, and their employees to address the high cost of health care. Among other options, the working group is required to consider the possibility of transitioning to plans offered through Vermont Health Connect (the Exchange) by 2018. Due January 15, 2016.

Effective Date: On passage

Sec. 36. Effective Dates (*pages 48–51*)