

H.361 – Education Funding, Education Spending, and Education Governance  
Report of the Committee of Conference (5/14/15; **DRAFT!**)

**Goals:** This legislation is intended to move the State toward sustainable models of education governance. It is designed to encourage and support local decisions and actions that:

- provide substantial equity in the quality and variety of educational opportunities
- lead students to meet or exceed the State’s Education Quality Standards
- maximize operational efficiencies through greater flexibility to manage, share, and transfer resources, with a goal of increasing district-level student-to-staff ratios
- promote transparency and accountability
- are delivered at a cost that parents, voters, and taxpayers value

**Highlights:**

- **Preferred Structure:** Goals are best served by a single district w/900+ students (ADM) that is its own Supervisory District and is responsible for the education of all resident PK–12 students in one of the four most common structures (Education District / ED):
  - Operates PK/K–12
  - Operates PK/K–8; tuitions 9–12
  - Operates PK/K–6; tuitions 7–12
  - Tuitions PK/K–12
- **Alternative Structure:** Acknowledges that the preferred structure is not possible or is not the best means to achieve goals in all regions of the State. Alternatives can also meet the goals – including SUs with member districts, esp. if the SU has certain qualities (e.g., 1,100 ADM)
- **Small School Grants / Merger Support Grants:**
  - If a district merges into a preferred structure by 7/1/19 (including a RED), the Small School Grant becomes an annual Merger Support Grant *unless and until* the small school is closed; if the school is closed due to consolidation into a new or renovated building, then the Grant continues for the life of the bond; also applies to joint contract schools created by 7/1/19
  - Otherwise, beginning 7/1/19, a school must have an average grade size of 20 or fewer students AND be determined to be eligible annually EITHER because it:
    - It is geographically isolated from a school with excess capacity OR
    - It demonstrates academic excellence and operational efficiencyState Board of Education adopts and publishes eligibility metrics by 7/1/18
- **Declining enrollment (“phantom pupils”)**
  - Removes “tail” so that 3.5% protection applies to prior year’s actual equalized pupil number, not the inflated number
    - begins FY17 (but 3 year transition, so FY19 for districts with inflated count)
    - one year additionally for districts actively engaged in merger discussions
  - Repeals 3.5% protection in FY21 EXCEPT if district has merged by FY20
- **Incentives to Merge Governance:**
  - (1) *Enhanced Incentives for Accelerated Activity* – operational by 7/1/17 – An SU forming into an SD per the preferred model (above) receives:
    - Tax Rate Reduction (10-8-6-4-2 cents) during first 5 years of operation
    - Small Schools Grant becomes annual Merger Support Grant (as on page 1)
    - Transition Facilitation Grant (as for RED)

- (2) *Extends RED Eligibility* – if electorate votes by 7/1/17 (replaces operational then)
  - Current Incentives, including:
    - Tax Rate Reduction (8-6-4-2 cents) during first 4 years
    - Annual Merger Support Grant unless close small school(as on page 1)
    - Transition Facilitation Grant
  - (3) *Incentives if Merge into One of Four Most Common Structures (above) and are Operational by 7/ 1/19* – Tax Rate Reduction (8-6-4-2 cents) during first 4 years and annual Merger Support Grant unless close small school (as on page 1);
- Transition to Sustainable Governance Structures by 7/1/19:
  - *Proposals by 11/30/17* – Districts that will not be in preferred structure by 7/1/19 must self-evaluate, meet with other districts, and present to Secretary & State Board a proposal either to keep or change current governance structure or manner of operation
  - *Secretary’s Proposal by 6/1/18* – Secretary of Ed publishes proposed plan to merge districts or change SU boundaries *to the extent necessary* to meet goals
  - *State Board’s Plan by 11/30/18* – SBE takes testimony, evaluates proposal, & issues a
- Fiscal Year 2016 Tax Rates:
  - nonresidential rate – \$1.535
  - homestead rate – \$0.99
  - applicable percentage – 1.80 percent
- Cost Containment; Allowable Growth in Education Spending (FY17 and FY 18 ONLY): For FY17 and FY 18 ONLY, the excess spending penalty is triggered if a district exceeds its own “allowable growth.” Allowable growth is determined on a sliding scale, from zero to 5.5%, depending on how much the district spent in the prior year. The more the district spent in the prior year, the less its allowable growth will be the following year.
- Failure to comply with Current Law: After notice, a hearing, and a chance to remediate, imposes 5% tax penalty on districts that violate current law re: SU duties – imposed FY18+
- Failure to Move Toward Educational Quality Standards: Clarifies SBE’s *current* authority (continue tech assistance; redraw SU boundaries; assume administrative control; close school) and *adds* authority to merge districts – effective FY20
- Transparency: Among other things:
  - In FY17, replaces the “base education amount” with a “dollar equivalent yield” when calculating base tax rates
  - Requires ballot language to include per pupil spending amount & percentage increase
- Adequacy Funding Analysis: JFO contracts for analysis of how to move to an adequacy-based education funding model without violating the constitutionally-required equity-based model. Authorizes transfer of up to \$300,000 of FY15 EF appropriations, before reversion.

### **H.361 DOES NOT:**

- Encourage or require closure of schools – including small schools
- Restrict or repeal authority of school districts to continue to pay tuition
- Change the amount or manner in which a district pays tuition for students