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TESTIMONY PROVIDED TO: House Ways and Means Committee
FROM: Rebecca Holcombe, Secretary, Agency of Education
TOPIC: Agency Response to H.361 as passed House Education Committee
DATE: March 10, 2015

Thank you for the opportunity to provide input on House Bill *H.361, An act relating to making amendments to education funding, education spending, and education governance*. There are several important provisions within this draft and we appreciate your thoughtful reflection on their implications.

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

We strongly recommend the Legislature focus on complete implementation of the State Board’s Education Quality Standards Rules, which were approved last year. The SBE is a creation of the Legislature, with authorities assigned by the Legislature. We have spent the last 10 months reorganizing around implementation of the EQS. Focusing on that and on the indicators we are currently developing for EQS would increase the coherence and impact of what we do.

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

We support the proposed language.

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

We support the proposed language. If the above Yield language stays in, we recommend keeping Homestead rate at \$1.

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

We have no position on this language.

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

We support the proposed language.

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

We support the proposed language.

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

We support the proposed language.

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

We do not have a position on this language.

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

Part a: Again, we recommend the Legislature serve the goals of coherence and integrity of implementation by using the platform of the recently improved Education Quality Standards as the basis for goals around quality. Since the Rules were approved by LCAR in early 2014, the Agency and the field have been focusing on implementation of these standards. Introducing new goals presents a new set of demands on our systems. The annual data snapshots and the integrated field review of school systems the AOE is developing, using the Legislature’s appropriation, are both focused also on these education standards, and measures and indicators related to these standards.

Part b: We believe the intent of this section is to encourage districts to realign around common structures in ways that allow them to move forward to achieve scale and efficiency, while preserving existing commitments in terms of tuitioning. To aid the legislature in this conversation and inform the Legislature’s decision making, we will play back here what we know of current structures and how this conversation may play out, given those structures.

A given in this conversation is that some districts will need to tuition their children, and some will need to operate schools to serve their children.

Currently, we **have nine different district structures in the state**, from districts that operate schools at all grade levels, to districts that operate at some levels, to districts that tuition at some levels. Districts that tuition tend to be smaller, rural districts, which reflects the historical reality that small districts may not have sufficient scale to support schools, particularly at the high school level.

It is worth keeping in mind also that tuitioning patterns statewide are increasingly regional, with tuition students demonstrating a preference more often for large high schools, whether they are public or private.

A district can only include entities or municipalities that operate and/or tuition at the same grade levels.

The five most common district structures in the state are:

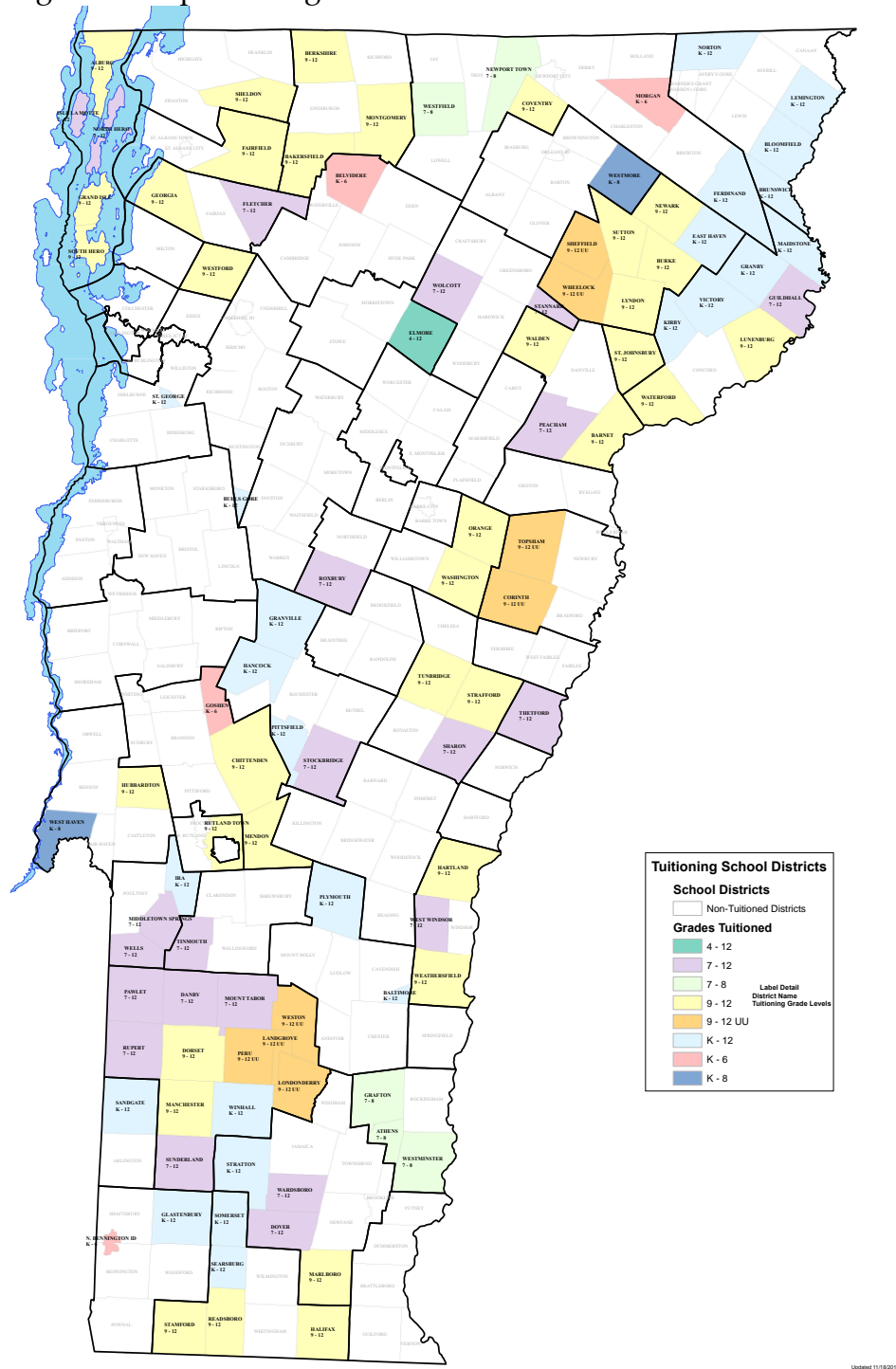
- Districts that operate schools PK-12
- Districts that operate PK-6 and tuition 7-12
- Districts that operate PK-8 and tuition 9-12
- Districts that tuition at all grade levels.

The overwhelming majority of students are in systems that operate PK-12, and a solution that lets these systems move forward to achieve efficiencies would lead to spending reductions.

Districts that tuition at all levels have no ability to control costs, because they are compelled to pay the market rate. Some of these districts have the fastest growing tax rates in the state.

The districts that do not fall into the buckets above reflect a variety of structures, as detailed in the map below:

Figure 1: Map showing the nine district structures in the state of Vermont.



In turn, these nine district structures are bundled into 13 different governance structures, including the most recent structure you are aware of: the Modified Unified Union School District.

This complexity of the structures demonstrates the fact that town districts tuitioning any grades and town districts operating grades PK-12 or providing access to PK-12 through a combination of operating schools and union membership cannot coexist in a supervisory district. Thus, we create federations, called supervisory unions.

Governance, however, remains at the budgeting level. Thus, within SUs, we have small districts, including many with fewer than 100 students, trying to complete all the same oversight and accountability required of a district the size of Burlington. The complexity of the job of a superintendent in an SU is driven by the number of districts in the SU. Across the state, we see tremendous variability in how and what types of support superintendents provide individual districts. And, we see tremendous variability in budgeting practices, even within SUs. This means that we have non-comparable units, which makes it difficult to answer the Legislature's questions about performance of our systems.

We note that this section requires all districts to complete a study. A study costs time and money, so this conflicts with the moratorium on unfunded mandates.

What are likely effects?

We will not speak to the specifics of the language, as it is a first draft and thus still unclear and contradictory in places. We will instead speak to the intent of the language, as we read it, and encourage you to work to make the language clear, simple and consistent, so that it is easy to implement. In addition, as the committee considers revisions, we encourage you to pursue simplicity and coherence in language. The more clear and streamlined the bill, the easier it is for the AOE and the districts to implement. Any voluntary transition needs to be allowed to happen with as few burdens and requirements as possible. If a legislative provision benefits the state and most districts, it should be rare that the work and the confusion created by the waiver process does not exceed the benefits of the waivers.

In terms of intent, the bill is asking our current districts to reconfigure into larger districts of about 1,100 students.

To do so, these districts will need to realign with districts which share a similar structure. Most of our systems and the overwhelming majority of our students are currently in districts that operate or participate in operation PK-12, and could relatively smoothly transition to a unified system and budget. These are the SUs in white on the map above.

Many of our towns, and in particular, our tuition towns, will need to look across current SU boundaries to find other partners. We envision, based on our understanding of the intent of this bill, that towns with like structures (e.g. towns that all operate PK-6 and tuition 7-12, or towns that are non-operating PK-12) will reorganize around structure into larger districts, and leave behind current SU boundaries.

For example, in the series of maps below, you can see an example of how this might play out. Note that some of these new districts in some regions of the state will have trouble achieving scale, as they involve very small numbers of students.

Fig. 2: Example of a current SU, that is a hybrid of district structures:

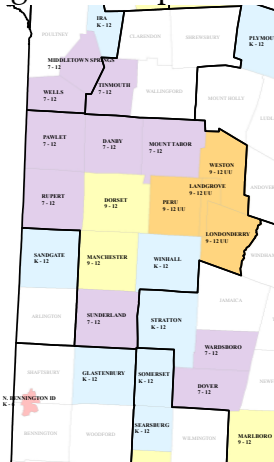


Fig. 3: Example of a newly configured SD composed of towns that tuition 7-12:

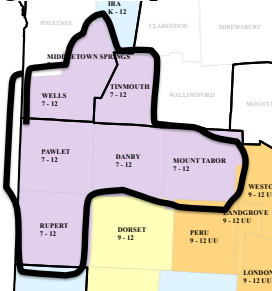


Fig. 4: Example of a newly configured SD composed of towns that tuition 9-12:

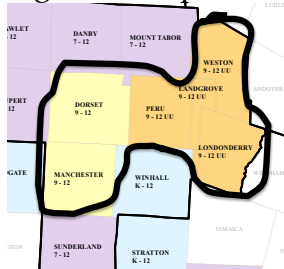
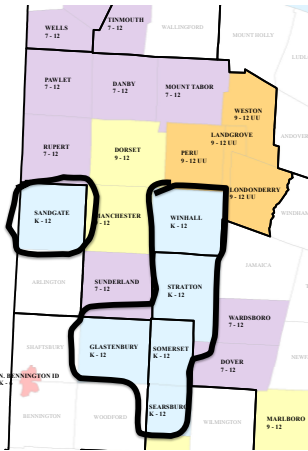


Fig.5: Example of a newly configured SD composed of non-operating towns:



This process would allow for consolidation into larger districts of towns with similar needs. It would also require, in some regions of the state and particularly for tuition districts, some realignment across current SU boundaries.

We have reviewed the map to look at likely combinations, and are clear that while many systems could transition smoothly to a new, larger unit, a minority of districts will struggle to find like districts. These are the districts for whom a different solution will be necessary, and the State Board could play a role to facilitate good options for these districts.

The current bill gives the Secretary tremendous authority to put together configurations. We do not support this approach. We do not feel that in a democracy, so much power and authority should be concentrated in one position. Decisions about governance need to be made in as inclusive and public a way possible. At the very least, the State Board involves a public process and public review by a panel of individuals that represent a cross-selection of towns in the state. It is possible that the SBE may choose to recommend, in some cases, a supervisory union structure that includes fewer and larger districts composed of current like units, but our assumption, based on the language of the bill, is that the Legislature intends this to be a rare circumstance.

The Governor has also called for support for allowing the State Board to reassign “orphan” districts, or districts that are unable to find partners. We feel this is necessary in the event a small district is left on its own and its only alternative is to close and lose any local control. Note that Legislative Council has drafted this language for the Senate Education Committee and could provide it to you.

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

We have no position on this language.

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

We have no position on this language.

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

We support the proposed language.

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

We support the proposed language.

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

We do not support the proposed language. The Agency already has this work underway, as required by previous legislative action, and with the work of the Statewide Longitudinal Data Systems federal grant. We provide annual updates to the Legislature on this work. See the January 2015 update [here](#).

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

We do not support the proposed language. Neither the Secretary nor any staff at the Agency is involved with or equipped to evaluate collective bargaining laws. This is not an aspect of school operations that falls under the purview of the Agency, and would be better suited to be dealt with by Labor law experts, not education experts. This is an employment issue.

The Administration's position is in support of eliminating strikes.

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

We have no position on this language.

Sec. 26. Moratorium *(pages 38–39)*

Other parts of this bill appear to require every district to conduct a study. Studies cost money and time. Studies are unfunded mandates.

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

For the Committee’s information, based on the 256 budgets that were reported to us and up for a vote, it appears that offsetting revenues went up at a slower rate than total spending, thus education spending grew at a higher rate. We are guessing the PreK pre-count at least partially explains why per pupil spending grows at a slower rate. In sum:

- Total budgets were up 3.19%
- Education spending (total budget minus offsetting revenues) was up 2.89%
- Ed spending per pupil was up 3.1%

With respect to the property tax cap, if there was a 2% cap in place, only 106 of current year budgets would have made it under cap, while 149 would have been capped. Next year, increases are likely to be larger due to the full rollout of universal PK.

Section 27(b): This language is too restrictive. Districts need access to short-term credit in order to manage cash flow requirements. The language needs to prevent long-term debt instruments from being used to finance operational expenditures (bridge financing) during the term the caps are in place.

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

We have no position on this language. We plan to carry out this work regardless, as we see the value and necessity of reviewing Special Education funding. We note, however, that some changes in special education funding are likely to be contingent on governance reform. For example, census-based models and block grant models are problematic in very small districts. We have the current formula we have, despite its drawbacks and even though we know it is a more costly approach, precisely because it serves as an insurance system for our very small districts. Thus, decisions about what special education funding models are best for Vermont are a function of how big our districts are.

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

We support the proposed language, acknowledging that it may be premature, or the work may change, depending on what if any governance changes (as those contemplated in the rest of this bill) are passed that inform the duties of administrators.

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

We have no position on this language.

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

We have no position on this language.

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

We question the necessity of forming this committee, whose work appears to be duplicative of the existing State Board of Education. This appears to add complexity to an already complex system.

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

We do not support the proposed language. Neither the Secretary nor any staff at the Agency of Education is involved with nor is equipped to advise on or address the cost of health care. This is not an aspect of school operations that falls under the purview of the Agency.

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

We have no position on this language.