



219 North Main Street | Suite 402 | Barre, VT 05641  
(p) 802-479-1030 | (f) 802-479-1835 | [education.vermont.gov](http://education.vermont.gov)

**TESTIMONY PROVIDED TO: Senate Education Committee**  
**FROM: Vaughn Altemus, Education Finance Manager, Agency of Education**  
**TOPIC: Mergers: Progress and Lessons**  
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## **Preliminary Report on Voluntary School District Merger Activity and Ongoing Discussions**

### **Approved Actions**

**Windsor Northwest** reassignment of districts. After several years of study the State Board of Education reassigned the districts of the Windsor NW SU. In June, 2014 the board assigned Pittsfield to the Windsor Central Supervisory Union effective July 1, 2015. On January 20, 2015 the board assigned the remaining districts, Bethel, Granville, Hancock, Rochester and Stockbridge, to the Orange Windsor SU becoming operational July 1, 2016. In addition to creating opportunities for increased efficiency and effectiveness, the reallocation reduces the number of supervisory unions by 1. The process was initiated by the State Board of Education. The allocation followed the preferences of the districts with the consent of the receiving supervisory unions.

**Chittenden East.** On November 4, 2014 voters of the Districts of Bolton, Jericho, Richmond, Underhill ID and Underhill Town voted to approve the creation of a modified unified union school district (MUUSD) incorporating the Mount Mansfield Union District. The voters of Huntington declined to participate in the MUUSD. Huntington will continue to operate its PreK-4 school. Its students in grades 5-12 will attend the MUUSD as they attended the Mount Mansfield Union. Buels Gore continues to be assigned to Chittenden East. The MUUSD will become operational July 1, 2015.

**Mountain Towns RED.** On March 6, 2012, members of the Floodbrook Union School District, Landgrove, Londonderry, Peru and Weston, voted to form a regional education district. The state board of education assigned the Mountain Towns RED to Bennington Rutland, a move from Windsor Southwest, with the support of both supervisory unions.

The districts of **Rutland-Windsor SU** and all districts of **Windsor Southwest SU**, except for the districts that created the Mountain Towns RED, were assigned by the state board of education to a new supervisory union, **Two Rivers**, at their request. Two Rivers became operational July 1, 2013.

Prior to Act 153 of 2010 the Vermont **Rivendell Interstate District** organized in a form generally equivalent to a unified union.

## Currently Under Discussion

The districts of **Chittenden Central Supervisory Union** and the **Essex Town Supervisory District** voted to form a committee to report on the advisability of uniting in a Regional Education District (RED).

In the **Essex-Caledonia SU** a study is underway to determine whether a PreK-12 union district joining Lunenburg and Concord is advisable.

In the **Grand Isle Supervisory Union**, the Isle La Motte District and the Grand Isle District are undertaking a preliminary study to evaluate the range of joint activities and structures available.

**Lamoille South SU**: Elmore and Morristown have begun a preliminary conversation about whether they should undertake a study of the advisability of forming a union district.”

In the **Rutland NE SU** the districts of Sudbury and Whiting are conducting a poll on community views of further joint activities. The districts already provide a number of services jointly. Recent efforts to expand joint activities have met with community resistance. The district boards believe that they need a sense of the concerns of community members to see whether there are opportunities for further movement and, if so, to identify potential directions to take.

There are a number of districts engaging in discussions of various forms of joint activity. These conversations have not reached a stage where a grant has been requested. The Agency has not been given formal notice of these discussions. In some cases listing these discussions could prove disruptive.

## Incentives for Merger Activity

**Improved Education Opportunities for Students.** Improvement in the quality of education has been the primary objective in every report submitted to the State Board of Education. In some cases districts that have been forced to cut spending in an austere environment with declining enrollments are working to restore reduced opportunities.

**Increased Economic Efficiencies.** Mergers present opportunities for savings through economies of scale, potential reductions in front office staff, and more efficient use of personnel.

1. It is important to distinguish between savings producing freed resources and savings reducing the bottom line and property tax rates.
  - a. Many districts discussing mergers have been struggling with dwindling resources for some time. Often the most critical initial priority for the merged school board is to reinstate some of the programs that have been cut or reduced. Resources “saved” through consolidation are no less real when spent on other education needs.

Merged districts and supervisory unions entering the operational phase are generating expanded

1. Two Rivers SU
2. Mountain Towns RED
3. Chittenden East SU

## Impediments to Mergers

Differences in structure among districts.

Note: All merger structures require that the same opportunities are open to all students in a grade within a district and a district does not operate a grade and pay tuition for that grade.

1. Choice districts, sometimes operating different grades in the same supervisory unions with PreK-12 districts or districts that are members of high school unions.
  - a. Districts have been very reluctant to give up choice.
2. Union districts require agreement of all members to form a RED. The legislature created the modified unified union school district option to allow mergers of union districts and the union when at least a majority of districts agree. Chittenden East has followed this path. Others are considering it.
  - a. The structure is awkward and districts that oppose the action fear being left out.

Supervisory union mergers can offer both increased in educational opportunity and greater efficiency, but not everywhere.

1. North Country Supervisory Union submits 18 annual financial reports to the state. It submits many reports for each district to the state and federal governments.
2. Just as school size and district size hit points where diseconomies of scale begin to exceed economies, there is a point where additional districts added to a supervisory union limit the amount of time the superintendent and front office can spend with each district without limiting responsibilities to students, principals and schools.
3. Merger of districts creates opportunities for additional mergers of supervisory unions or conversion to supervisory districts.

Isolated districts—districts outside the merger process.

1. Thus far districts have excluded themselves from participation in merger discussions.
2. In a period where voluntary mergers were known to be followed by involuntary mergers it is possible to imagine cases where merged districts would form while excluding other districts that would like to be included.
  - a. There is a potential for inequality.
    - i. The Secretary believes requiring State Board approval for proposed mergers can address this issue.
3. Choice districts are included in many supervisory unions. It is not clear how they can fit into a merged supervisory district that operates grades PreK-12.
  - a. Districts that operate some grades and offer choice in others are often too geographically dispersed to be merged into an SD and may not offer choice for the same grades.
  - b. Districts offering choice preK-12 can potentially be run out of a single supervisory union or small number of supervisory unions without regard for location.

### Transition costs.

Thus far, with the inclusion of state incentives, districts and supervisory unions have seen more freed resources even in their initial years than transition costs. It is likely, if consolidation is implemented statewide, that there will be consolidated districts where initially transition costs will be greater than freed resources.

1. Transition costs are real and vary significantly with the districts and supervisory unions involved.
2. Transition costs are temporary. They go down over time.
3. Expanded educational opportunities and freed resources in an effective consolidation potentially last forever.
  - a. To get an accurate sense of value you need to balance short term transition costs, which are typically easy to measure, against benefits over an indefinite period.
4. It's important that legislators proceed with their eyes open.

### Timeframe

The Agency of Education, the Legislature and those we rely on for advice have consistently underestimated the time involved in structural change. This underestimation has two major consequences:

1. The field is simply unable to change to the extent required in the time allowed.
  - a. When you estimate the time required think of the years it took for Two Rivers to form and the years involved in the allocation Windsor Northwest's districts to Orange-Windsor and Windsor Central.
  - b. Structural change in VT is especially time consuming because of the diversity of structures existing now. Different districts and supervisory unions face substantially different challenges when implementing consolidation.
  - c. Actions taken in haste are more likely to include errors that need to be worked out down the road.
2. The same underestimation of time required leads to an expectation for demonstrated results almost immediately upon the changes taking effect.
  - a. The expectation of results in this time period is unreasonable.
  - b. Changes can be labelled failures before they've had the chance to demonstrate their merit.