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1 TO THE HONORABLE SENATE:

2 The Committee on Education to which was referred House Bill No. 361
3 entitled “An act relating to making amendments to education funding,
4 education spending, and education governance” respectfully reports that it has
5 considered the same and recommends that the Senate propose to the House that
6 the bill be amended by striking out all after the enacting clause and inserting in
7 lieu thereof the following:

8 ***** Preferred Education Governance Structure *****

9 **Sec. 1. PREFERRED EDUCATION GOVERNANCE STRUCTURE**

10 (a) Prekindergarten – grade 12 district. In order to provide substantial
11 equity in the quality and variety of educational opportunities statewide; to
12 maximize operational efficiencies through increased flexibility to manage,
13 share, and transfer resources; and to promote transparency and accountability,
14 the preferred education governance structure in Vermont is a school district
15 that:

16 (1) is responsible for the education of all resident prekindergarten
17 through grade 12 students;

18 (2) is its own supervisory district;

19 (3) has a minimum average daily membership of 900; and

20 (4) assumes one of the following four common governance structures:

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

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

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

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

11 (b) **Supervisory union.** A single prekindergarten – grade 12 district as
12 envisioned in subsection (a) of this section may not be possible or the best
13 means of achieving Vermont’s education goals in all regions of the State. In
14 such situations, a supervisory union composed of multiple member districts,
15 each with its separate school board, meets the State’s goals, particularly if:

16 (1) the member districts consider themselves to be collectively
17 responsible for the education of all prekindergarten through grade 12 students
18 residing in the supervisory union; and

19 (2) the supervisory union has the smallest number of member school
20 districts practicable, achieved wherever possible by the merger of districts with
21 similar operating and tuitioning patterns.

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1 *[to be moved to EFFECTIVE DATE section]*

2 () Sec. 1 (preferred governance structure) shall take effect on passage.

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

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

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

6 (a) Program created. There is created a school district merger incentive
7 program under which the incentives outlined in Sec. 4 of this act shall be
8 available to each new unified union school district created pursuant to Sec. 3 of
9 this act and to each new district created under Sec. 3 of this act by the merger
10 of districts that provide education by paying tuition; and to the Vermont
11 members of any new interstate school district if the Vermont members jointly
12 satisfy the size criterion of Sec. 3(a)(1) of this act and the new, merged district
13 meets all other requirements of Sec. 3 of this act. Incentives shall be available,
14 however, only if the effective date of merger ~~is on or before July 1, 2017 on~~
15 which the new district becomes operational is prior to July 1, 2020.

16 **Sec. 3.** 2010 Acts and Resolves No. 153, Sec. 4, as amended by 2012 Acts and
17 Resolves No. 156, Sec. 13, is further amended to read:

18 Sec. 4. VOLUNTARY SCHOOL DISTRICT MERGER; INCENTIVES

19 * * *

20 (h) ~~This section is repealed on July 1, 2017.~~ [Repealed.]

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1 *[to be moved to EFFECTIVE DATE section]*

2 () Secs. 2–3 (REDS; incentives; dates) shall take effect on passage.

3 ***** Current Incentives for Other Joint Activity *****

4 **Sec. 4. CURRENT INCENTIVES FOR JOINT ACTIVITY; LIMITATIONS**
5 **ON APPLICABILITY**

6 (a) Notwithstanding the provisions of the following sections of law, the
7 grants and reimbursements authorized by those sections shall be available only
8 as provided in subsection (b) of this section:

9 (1) 2012 Acts and Resolves No. 156, Sec. 2 (reimbursement of fees of
10 up to \$5,000.00 incurred by school districts or supervisory unions for initial
11 exploration of joint activity).

12 (2) 2012 Acts and Resolves No. 156, Sec. 4 (reimbursement of analysis
13 or transition costs of up to \$10,000.00 incurred by school districts or
14 supervisory unions for joint activity other than a merger).

15 (3) 2012 Acts and Resolves No. 156, Sec. 5 (reimbursement of fees of
16 up to \$20,000.00 incurred by supervisory unions for analysis relating to the
17 advisability of merger of supervisory unions).

18 (4) 2012 Acts and Resolves No. 156, Sec. 6 (transition facilitation grant
19 of \$150,000.00 for the successful merger of two or more supervisory unions).

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1 (5) 2012 Acts and Resolves No. 156, Sec. 9 (reimbursement of fees of
2 up to \$20,000.00 incurred by school districts for analysis relating to the
3 advisability of merger other than a regional education district (RED)).

4 (6) 2012 Acts and Resolves No. 156, Sec. 11 (transition facilitation
5 grant of the lesser of \$150,000.00 or five percent of the base education amount
6 multiplied by the combined enrollment for the successful merger of two or
7 more districts other than a RED).

8 (b) A group of districts or supervisory unions shall receive one or more of
9 the incentives listed in subsection (a) of this section only if it:

10 (1) meets the specific eligibility criteria for the incentive; and

11 (2) completes the specific requirements for eligibility on or before

12 [December 31, 2015.]

13 [to be moved to EFFECTIVE DATE section]

14 () Sec. 4 (existing incentives; applicability) shall take effect on July 1,
15 2015.

16 *** Accelerated Activity; Enhanced Incentives ***

17 **Sec. 5. ACCELERATED MERGER; SUPERVISORY UNION BECOMING**

18 **A SUPERVISORY DISTRICT; INCENTIVES; REPORT**

19 (a) A newly formed school district shall receive the incentives set forth in
20 subsection (b) of this section if it:

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1 (1) is formed by merging the governance structures of all member
2 districts of a supervisory union into one unified union school district pursuant
3 to the processes and requirements of 16 V.S.A. chapter 11;

4 (2) obtains an affirmative vote of all “necessary” districts on or after
5 July 1, 2015 and prior to July 1, 2016;

6 (3) is responsible for the education of all resident prekindergarten
7 through grade 12 students;

8 (4) is its own supervisory district;

9 (5) has a minimum average daily membership of 900 in its first year of
10 operation; and

11 (6) is organized and operates according to one of the following common
12 governance structures:

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

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

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

21 (7) becomes operational on or before July 1, 2017; and

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1 (8) provides data as requested by the Agency of Education and
2 otherwise assists the Agency to assess whether and to what extent the
3 consolidation of its governance results in increased educational opportunities,
4 operational efficiencies, transparency, and accountability.

5 (b) A newly formed school district that meets the criteria set forth in
6 subsection (a) shall receive the following:

7 (1) Decreased tax rate. Notwithstanding any other provision of law,
8 during the first five years of operation, the equalized homestead property tax
9 rate of the new district shall be decreased by \$0.10 and the household income
10 percentage shall be calculated accordingly. During the years in which the
11 district's equalized homestead property tax rate is decreased pursuant to this
12 subsection, the homestead rate for each town within the district shall not
13 increase by more than five percent in a single year. The household income
14 percentage shall be calculated accordingly. On and after the effective date of
15 merger, the common level of appraisal shall be calculated independently for
16 each town within the district for purposes of determining the homestead
17 property tax rate for each town.

18 (2) Accelerated action incentive grant. The new district shall receive in
19 the first fiscal year of operation an Accelerated action incentive grant in an
20 amount equal to \$400.00 multiplied by the total number of resident students in
21 the new district in that year. **[Include? See exceptions below in (c)]**

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1 (3) Merger support grant. Notwithstanding any provision of law to the
2 contrary, if the districts forming the new district include at least one “eligible
3 school district,” as defined in 16 V.S.A. § 4015, that received a small school
4 support grant under section 4015 in fiscal year 2016, then the new district shall
5 receive an annual merger support grant in each of the first five fiscal years
6 after it begins operation in an amount equal to the small school support grant
7 received by the eligible school district in fiscal year 2016. If more than one
8 merging district was an eligible school district, then the merger support grant
9 shall be in an amount equal to the total combined small school support grants
10 they received in fiscal year 2016

11 (c) If a new district that receives incentives under this section also meets
12 the eligibility criteria to receive incentives as a regional education district
13 (RED), then the district shall not receive the incentives available to a RED
14 pursuant to 2010 Acts and Resolves No. 153, subsections 4(a), (d), or (g), as
15 amended by 2012 Acts and Resolves No. 156, Sec. 13.

16 (d) The Secretary of Education, in collaboration with other entities such as
17 the University of Vermont or the Regional Educational Laboratory–Northeast
18 and Islands, shall collect and analyze data from the new districts created under
19 this section regarding issues including educational opportunities, operational
20 efficiencies, transparency, and accountability following merger. Beginning on
21 January 15, 2016, and annually through January 2021, the Secretary shall

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1 submit a report to the House and Senate Committees on Education and on
2 Appropriations, the House Committee on Ways and Means, and the Senate
3 Committee on Finance regarding the districts pursuing merger under this
4 section, conclusions drawn from the data collected, and any recommendations
5 for legislative action.

6 *[to be moved to EFFECTIVE DATE section]*

7 () Sec. 5 (accelerated activity; increased incentives) shall take effect on
8 passage.

9 ***** Facilitating Voluntary Governance Transitions; Education Technical**

10 **Assistant; Supervisory Union Biundaries *****

11 **Sec. 6. EDUCATION TECHNICAL ASSISTANT**

12 There is established one (1) new limited service exempt position –
13 Education Technical Assistant – in the Agency of Education, authorized for
14 fiscal years 2016 and 2017. The Education Technical Assistant shall work
15 directly with school districts and supervisory unions to provide information
16 and assistance regarding fiscal and demographic projections and the options
17 available to address any necessary systems changes. The Agency’s authority
18 to hire an individual for this purpose is contingent on its ability to obtain
19 funding for the position solely through nonstate sources.

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1 *[to be moved to EFFECTIVE DATE section]*

2 () Sec. 6 (limited service exempt position) shall take effect on July 1,
3 2015.

4 **Sec. 7.** 16 V.S.A. § 261 is amended to read:

5 § 261. ORGANIZATION AND ADJUSTMENT OF SUPERVISORY
6 UNIONS

7 (a) The State Board shall review on its own initiative or when requested as
8 per subsection (b) of this section and may regroup the supervisory unions of
9 the State or create new supervisory unions in such manner as to afford
10 increased efficiency or greater convenience and economy and to facilitate ~~K-12~~
11 prekindergarten through grade 12 curriculum planning and coordination as
12 changed conditions may seem to require.

13 (b)(1) Any school district that has so voted at its annual school district
14 meeting, if said meeting has been properly warned regarding such a vote, may
15 ~~apply to request that~~ the State Board of education for adjustment of adjust the
16 existing boundaries of the supervisory union of which it is a ~~component~~
17 member district.

18 (2) Any group of school districts that have so voted at their respective
19 annual school district meeting, regardless of whether the districts are members
20 of the same supervisory union, may request that the State Board adjust existing
21 supervisory union boundaries and move one or more nonrequesting districts to

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1 a different supervisory union if such adjustment would assist the requesting
2 districts to realign their governance structures into a unified union school
3 district pursuant to chapter 11 of this title.

4 (3) The State Board shall give timely consideration to ~~such~~ requests
5 made pursuant to this subsection and may regroup the school districts of the
6 area so as to ensure reasonable supervision of all public schools therein.

7 (c) The State Board may designate any school district, including a unified
8 union district, as a supervisory district if it will ~~offer schools in grades K-12~~
9 provide for the education of all resident students in prekindergarten through
10 grade 12 and is large enough to support the planning and administrative
11 functions of a supervisory union.

12 (d) Upon application by a supervisory union board, the State Board may
13 waive any requirements of chapter 5 or 7 of this title with respect to the
14 supervisory union board structure, board composition, or board meetings, or
15 the staffing pattern of the supervisory union, if it can be demonstrated that such
16 a waiver will result in efficient and effective operations of the supervisory
17 union; will not result in any disproportionate representation; and is otherwise
18 in the public interest.

19 *[to be moved to EFFECTIVE DATE section]*

20 () Sec. 7 (supervisory union boundaries) shall take effect on passage.

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***** Merger Support Grants; Small Schools Grants *****

Sec. 8. MERGER SUPPORT GRANT

(a) Notwithstanding any provision of law to the contrary and subject to subsection (b) of this section, if the districts creating a union school district pursuant to 16 V.S.A. chapter 11 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 fiscal year 2016, then the new union school district shall receive an annual merger support grant in each of the first five fiscal years after it begins operation in an amount equal to the small school support grant received by the eligible school district in fiscal year 2016. 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 fiscal year 2016.

(b) This section shall apply only to a union school district that:

(1) is responsible for the education of all resident prekindergarten through grade 12 students;

(2) is its own supervisory district;

(3) has a minimum average daily membership of 900 in its first year of operation; and

(4) is organized and operates according to one of the following common governance structures:

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

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

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

9 (5) obtains a favorable vote of all “necessary” districts on or after July 1,
10 2015; and

11 (6) becomes operational after July 1, 2017 and on or before July 1,
12 2020.

13 *[to be moved to EFFECTIVE DATE section]*

14 () Sec. 8 (Merger Support Grants) shall take effect on July 1, 2015.

15 **Sec. 9.** 16 V.S.A. § 4015 is amended to read:

16 § 4015. SMALL SCHOOL SUPPORT

17 (a) In this section:

18 (1) “Eligible school district” means a school district that operates at least
19 one school; that has been determined by the State Board to be eligible due to
20 geographic necessity, and

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1 ~~the nearest one hundredth of a percent, necessary to make the two year~~
2 ~~average enrollment decrease only 10 percent. [Repealed.]~~

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

7 * * *

8 **Sec. 10. SMALL SCHOOL SUPPORT; TRANSITION**

9 (a) In fiscal year 2017, any district that was eligible for small school
10 support pursuant to 16 V.S.A. § 4015 in fiscal year 2016 but is not “eligible
11 due to geographic necessity” for small school support in fiscal year 2017 shall
12 receive small school support that is two-thirds of the amount it received in
13 fiscal year 2016.

14 (b) In fiscal year 2018, any district that was eligible for small school
15 support pursuant to 16 V.S.A. § 4015 in fiscal year 2016 but is not “eligible
16 due to geographic necessity” for small school support in fiscal year 2018 shall
17 receive small school support that is one-third of the amount it received in fiscal
18 year 2016.

19 *[to be moved to EFFECTIVE DATE section]*

20 () Secs. 9 and 10 (small school support; transition) shall take effect on
21 July 1, 2016, and shall apply to grants made in fiscal year 2017 and after.

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

[note: the next 4 sections (1) remove the “tail” for all districts beginning in FY17; (2) transition districts with phantom pupils to the new “no tail” calculation over a three year period; and (3) repeal the entire hold harmless provision for all districts in FY21, (4) except for REDs and newly formed unified union school districts]

Sec. 11. 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. 12. 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. 11 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

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

3 **Sec. 13. REPEAL**

4 16 V.S.A. § 4010(f) (declining enrollment; hold-harmless provision) is
5 repealed on July 1, 2020.

6 **Sec. 14. DECLINING ENROLLMENT; 3.5 PERCENT HOLD-HARMLESS;**
7 **GRANDFATHERED DISTRICTS**

8 Beginning in fiscal year 2021, for purposes of determining weighted
9 membership under 16 V.S.A. § 4010, a district’s equalized pupils shall in no
10 case be less than 96 and one-half percent of the actual number of equalized
11 pupils in the district in the previous year, prior to making any adjustment under
12 this section, if the district, on or before July 1, 2020:

13 (1) became eligible to receive incentives pursuant to Sec. 5 of this act
14 (accelerated activity);

15 (2) met each of the criteria listed in Sec. 8(b)(1) – (5) of this act,
16 regardless of whether the new district is eligible for a merger support grant,
17 and became an operational unified union school district; or

18 (3) became eligible to receive incentives pursuant to 2010 Acts and
19 Resolves No. 153, Sec. 4, as amended by 2012 Acts and Resolves No. 156,
20 Sec. 13, and further amended by this act (REDs and eligible variations).

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1 *[to be moved to EFFECTIVE DATE section]*

2 () Secs. 11 and 12 (declining enrollment; hold-harmless provision;
3 transition) shall take effect on July 1, 2016.

4 () Sec. 13 (declining enrollment; hold-harmless provision; repeal) shall
5 take effect on July 1, 2020.

6 () Sec. 14 (declining enrollment; hold-harmless provision; exception)
7 shall take effect on July 1, 2020.

8 ***** Supervisory Unions; Local Education Agency *****

9 **Sec. 15.** 16 V.S.A. § 43(c) is amended to read:

10 (c) For purposes of determining pupil performance and application of
11 consequences for failure to meet standards and for provision of compensatory
12 and remedial services pursuant to 20 U.S.C. §§ 6311-6318, a ~~school district~~
13 supervisory union shall be a local education agency.

14 () Sec. 15 (supervisory unions; local education agency) shall take effect
15 on July 1, 2015.

16 ***** Supervisory Unions; Budgets; Votes by Electorate *****

17 **Sec. 16.** 16 V.S.A. § 261a(11) is amended to read:

18 (11) ~~on or before June 30 of each year, adopt a budget for the ensuing~~
19 ~~school year~~ annually, prepare a budget for presentation to the voters of the
20 member school districts pursuant to section 305 of this title; and

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1 **Sec. 17.** 16 V.S.A. § 242(4)(D) is amended to read:

2 (D) prepare for each district an itemized report detailing the portion
3 of the proposed supervisory union budget for the subsequent school year for
4 which the district would be ~~assessed for the subsequent school year~~
5 responsible, identifying the component costs by category and explaining the
6 method by which the district's share for each cost was calculated; and provide
7 the report to each district at least 14 days before ~~a budget, including the~~
8 supervisory union ~~assessment~~, budget is voted on by the electorate of the
9 district.

10 **Sec. 18.** 16 V.S.A. § 301 is amended to read: [**DRS:** *consider if unnecessary*]

11 § 301. APPORTIONMENT OF EXPENSES

12 Unless otherwise agreed upon, ~~each school district shall pay a~~ the portion of
13 the supervisory union budget to be voted upon by each school district shall
14 represent that district's proportionate share of the salary and expenses of the
15 superintendent and the expenses of the supervisory union based on the number
16 of enrolled students in each member school district. "Enrolled students" shall
17 be defined by the State Board by rule, including the treatment of tuition
18 students, special education students, students enrolled in career technical
19 centers, and other particular circumstances.

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1 **Sec. 19.** 16 V.S.A. § 305 is added to read:

2 § 305. ESTABLISHMENT OF A SUPERVISORY UNION BUDGET

3 (a) Annually, the board of a supervisory union shall provide a proposed
4 supervisory union budget to the board of each member school district, together
5 with the detailed information required in subdivision 242(4)(D) of this title.

6 (b) Each district board shall present the supervisory union budget to the
7 district voters as a separate article in the warning for the district budget,
8 expressing the total sum in dollars, and also indicating the district's
9 proportionate share of the total budget. If the voters in a town vote on the
10 budgets of two or more districts, then they shall have the opportunity to vote
11 only once on the supervisory union budget, but the proportionate share for each
12 district shall be indicated. The voters in each district within a supervisory
13 union shall vote on the supervisory union budget on the same day and during
14 the same hours.

15 (c) The vote on the supervisory union budget shall be warned and held by
16 Australian ballot. If a district does not vote on its district budget by Australian
17 ballot, then the voters of that district may vote to proceed in the same manner
18 as for the school district budget, provided that the number of votes in favor of
19 and opposed to the supervisory union budget shall be tallied and the
20 supervisory union budget shall not be amended.

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1 (d) The clerk of each school district shall certify the number of votes in
2 favor of and opposed to the supervisory union budget in that district. Within
3 ten days of the vote, all school district clerks within the supervisory union shall
4 meet to establish and jointly certify if a majority of the commingled votes were
5 in favor of or in opposition to the supervisory union budget.

6 (e) The supervisory union budget is established if all school district clerks
7 within a supervisory union certify that a majority of the commingled votes
8 were in favor of the budget. If a proposed budget is rejected, then the
9 supervisory union board shall prepare a revised budget and shall identify a date
10 on which all districts will vote whether to approve it. The board of each
11 member school district shall warn the vote on the revised budget, which shall
12 be by Australian ballot and shall take place in the same locations as the
13 original vote. If the revised budget is rejected, then the boards shall repeat the
14 procedure in this subsection until the budget is adopted. If the voters fail to
15 approve a supervisory union budget by July 1 of any year, then each district
16 shall be liable for 87 percent of its proportionate share of the most recently
17 adopted budget; provided, however, that this shall not result in payment of less
18 than 100 percent of the costs in the proposed supervisory union budget that
19 were attributable to the provision of special education services to the member
20 districts.

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1 (f) Following a successful vote on a supervisory union budget, the
2 supervisory union board shall give notice to the legislative branch of each
3 district.

4 (g) Early and absentee voting as provided by 17 V.S.A. §§ 2531–2550 is
5 permitted.

6 (h) Unless clearly inconsistent, the provisions of 17 V.S.A. chapter 55 shall
7 apply to actions taken under this section.

8 (i) If an audit conducted of the supervisory union reveals that the
9 supervisory union has:

10 (1) surplus funds, then the supervisory union board shall carry the funds
11 into the next year to be used to offset each member district’s obligation
12 proportionally;

13 (2) a deficit, then the supervisory union board shall apportion the
14 obligation to each member district in the next supervisory union budget.

15 **Sec. 20.** 16 V.S.A. § 563(11)(C)(i) is amended to read:

16 (i) all revenues from all sources, and expenses, including as
17 separate items ~~any assessment for a supervisory union of which it is a member~~
18 the district’s proportionate share of the supervisory union’s proposed budget
19 and any tuition to be paid to a career technical center; and including the report
20 required in subdivision 242(4)(D) of this title itemizing the component costs of
21 the district’s proportionate share of the supervisory union assessment budget;

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1 *[to be moved to EFFECTIVE DATE section]*

2 () Secs. 16–20 (supervisory union budgets; voting) shall be effective on
3 July 1, 2015 and apply to budgets for fiscal year 2017 and after.

4 ***** Duties of Supervisory Unions; Failure to Comply; Tax Rates *****

5 **Sec. 21.** 16 V.S.A. § 261a(c) is added to read:

6 (c) If the Secretary determines that a supervisory union or any one of its
7 member districts is failing to comply with the provisions of subsection (a) of
8 this section, then the Secretary shall notify the board of the supervisory union
9 and the board of each of its member districts that the statewide education tax
10 rates for nonresidential and homestead property shall be increased by five
11 percent in each district within the supervisory union and the household income
12 percentage shall be adjusted accordingly in the next fiscal year for which tax
13 rates will be calculated. The districts' actual tax rates shall be increased by
14 five percent, and the household income percentage adjusted, in each
15 subsequent fiscal year until the fiscal year following the one in which the
16 Secretary determines that the supervisory union and its districts are in
17 compliance. The Secretary's determination shall be final.

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1 *[to be moved to EFFECTIVE DATE section]*

2 () Sec. 21 (supervisory union duties; failure to comply; tax rates) shall
3 take effect on July 1, 2016; provided, however, that tax rates shall not be
4 increased pursuant to this section prior to fiscal year 2018.

5 ***** Transition of Employees *****

6 **Sec. 22.** 16 V.S.A. chapter 53, subchapter 3 is added to read:

7 Subchapter 3. TRANSITION OF EMPLOYEES

8 § 1801. DEFINITIONS

9 As used in this subchapter:

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

17 (2) “New SU” means a supervisory union created from the merger or
18 realignment of two or more current supervisory unions or of all or some of the
19 districts in one or more current supervisory unions (a Realigning SU). “New
20 SU” also means a supervisory union created by the State Board’s adjustment of
21 the borders of one or more current supervisory unions or parts of supervisory

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1 unions pursuant to section 261 of this title or otherwise, regardless of whether
2 the New SU is known by the name of one of the current supervisory unions or
3 the adjustment is otherwise structured or considered to be one in which one
4 current supervisory union (the Absorbing SU) is absorbing one or more other
5 supervisory unions or parts of supervisory unions into the Absorbing SU.

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

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

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

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1 § 1802. TRANSITION OF EMPLOYEES TO NEWLY CREATED

2 EMPLOYER

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

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

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

10 (b) Negotiations shall commence within 90 days after formation of the
11 Transitional Board and shall be conducted pursuant to the provisions of chapter
12 57 of this title for teachers and administrators and pursuant to 21 V.S.A.
13 chapter 22 for other employees.

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

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

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

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1 (2) the parties shall adhere to the provisions of an agreement among the
2 Employees of the Realigning Districts or the Realigning SUs, as represented
3 by their respective recognized representatives, regarding how provisions under
4 the existing contracts regarding issues of seniority, reduction in force, layoff,
5 and recall will be reconciled during the period prior to ratification of a new
6 agreement; and

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

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

16 § 1803. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

17 (a) A New District or New SU, on the first day of its existence, shall
18 assume the responsibilities of any one or more of the Realigning Districts or
19 Realigning SUs that have been participants in the system; provided, however,
20 that this subsection shall not be construed to extend benefits to an employee

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1 who would not otherwise be a member of the system under any other provision
2 of law.

3 (b) The existing membership and benefits of an Employee of a Realigning
4 District or a Realigning SU shall not be impaired or reduced either by
5 negotiations with the New District or New SU under 21 V.S.A. chapter 22 or
6 otherwise.

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

11 *[to be moved to EFFECTIVE DATE section]*

12 () Sec. 22 (transition of employees) shall take effect on passage and shall
13 New District or New SU that has its first day of existence on or after that date.

14 ***** Unified Union School District; Definition *****

15 **Sec. 23.** 16 V.S.A. § 722 is amended to read:

16 § 722. UNIFIED UNION DISTRICTS

17 ~~If a union school district is organized to operate grades kindergarten~~
18 ~~through 12, it~~ (a) A union school district shall be known as a unified union
19 district if it provides for the education of resident prekindergarten – grade 12
20 students, whether by:

21 (1) operating a school or schools for all grades;

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1 (2) operating a school or schools for all students in one or more grades
2 and paying tuition for all students in the remaining grade or grades; or

3 (3) paying tuition for all grades.

4 **(b)** On the date the unified union district becomes operative, unless another
5 date is specified in the study committee report, it shall supplant all other school
6 districts within its borders, and they shall cease to exist.

7 **(c)** If provided for in the committee report, the unified union school district
8 ~~school~~ board may be elected and may conduct business for the limited purpose
9 of preparing for the transition to unified union district administration while the
10 proposed member school districts continue to operate schools.

11 **(d)** The functions of the legislative branch of each preexisting school
12 district in warning meetings and conducting elections of unified union school
13 district board members shall be performed by the corresponding board of
14 alderpersons of a city or city council, the selectboard of a town, or the trustees
15 of an incorporated school district as appropriate.

16 *[to be moved to EFFECTIVE DATE section]*

17 () Sec. 23 (unified union school district; definition) shall take effect on
18 passage.

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***** Agencies of Human Services and of Education;**

Coordination; Report ***

**Sec. 24. COORDINATION OF EDUCATIONAL AND SOCIAL
SERVICES; REPORT**

(a) The Secretaries of Education and of Human Services, in consultation with school districts, supervisory unions, social service providers, and other interested parties, shall develop a plan for maximizing collaboration and coordination between the Agencies in delivering social services to Vermont public school students and their families. The plan shall:

(1) propose ways to improve access to and quality of social services provided to Vermont public school students and their families through systems-level planning and integration;

(2) propose sustainable ways to increase efficiencies in delivering social services to Vermont public school students and their families while maintaining access and quality, including ways to promote effective communication between the Agencies at the State and local levels;

(3) consider ways in which schools and social service providers can share services, personnel, and other resources, including the use of available space in school buildings by Agency of Human Services personnel;

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1 (4) identify the amounts and sources of spending by the Agency of
2 Human Services and the education system to provide social services to families
3 with school-age children; and

4 (5) identify any barriers to increased efficiency, statutory or otherwise
5 and including federal and State privacy protections, and propose ways to
6 address these barriers, including any recommendations for legislative action.

7 (b) On or before January 15, 2016, the Secretaries shall present their plan
8 and recommendations to the Senate Committees on Education and on Health
9 and Welfare and the House Committees on Education and on Human Services.

10 *[to be moved to EFFECTIVE DATE section]*

11 () Sec. 24 (Agencies of Education and of Human Services; coordination)
12 shall take effect on passage.

13 ***** Quality Assurance; Accountability *****

14 **Sec. 25.** 16 V.S.A. § 165(b)(1) – (4) are amended and subdivision (5) is added
15 to read:

16 (1) the Agency continue to provide technical assistance for one more
17 cycle of review;

18 (2) the State Board adjust supervisory union boundaries or
19 responsibilities of the superintendency pursuant to section 261 of this title;

20 (3) the Secretary assume administrative control of an individual school,
21 school district, or supervisory union, including budgetary control to ensure

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1 sound financial practices, only to the extent necessary to correct deficiencies;

2 ~~or~~

3 (4) the State Board close ~~the~~ an individual school or schools and require
4 that the school district pay tuition to another public school or an approved
5 independent school pursuant to chapter 21 of this title; or

6 (5) the State Board require two or more school districts to consolidate
7 their governance structures.

8 *[to be moved to EFFECTIVE DATE section]*

9 () Sec. 25 (authorities of State Board of Education) shall take effect on
10 July 1, 2020.

11 **Sec. 26. QUALITY ASSURANCE; ACCOUNTABILITY**

12 The Secretary of Education shall regularly review, evaluate, and keep the
13 State Board of Education apprised of the following:

14 (1) the discussions, studies, and activity among districts to move
15 voluntarily toward creating a unified union school district as set forth in Sec.

16 1(a) (preferred governance structure) of this act;

17 (2) the data collected from districts that vote prior to July 1, 2016, to
18 merge into that preferred governance structure pursuant to Sec. 5 (accelerated
19 activity) of this act and from other districts that have merged or do merge into
20 a regional education district (RED) and their variations or that otherwise merge
21 into the preferred governance structure; and

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1 to develop a proposal that realigns districts in a manner that meets the
2 requirements of Sec. 28 (protection for tuition-paying and operating districts)
3 or that otherwise meets all aspects of Sec. 1(a), then the proposal may include
4 alternative models as necessary, such as a supervisory union with member
5 districts or a unified union school district with a smaller average daily
6 membership, designed to promote equity of educational opportunities,
7 financial efficiencies, accountability, and transparency in a sustainable
8 governance structure.

9 (b) State Board’s order. On or before December 31, 2020, the State Board
10 shall review and analyze the Secretary’s proposal under the parameters
11 outlined in subsection (a) of this section, may take testimony or ask for
12 additional information from districts and supervisory unions, shall approve the
13 proposal in either its original or an amended form, and shall publish on the
14 Agency of Education’s website the order realigning the districts and
15 supervisory unions.

16 (c) Operational date. The new districts and expanded or otherwise
17 realigned supervisory unions created under this section shall be operational on
18 or before July 1, 2022.

19 (d) Applicability. This section shall not apply to:

20 (1) interstate school districts;

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1 (b) School operation; protection. All governance transitions contemplated
2 pursuant to this act shall preserve the ability of a district that, as of the
3 effective date of this section, provides for the education of all resident students
4 in one or more grades by operating a school offering the grade or grades, to
5 continue to provide education by operating a school for all students in the
6 grade or grades if it chooses to do so and shall not require the district to pay
7 tuition for students if it ceases to exist as a discrete entity and is realigned into
8 a supervisory district or union school district.

9 (c) Intent. Nothing in this act shall be construed to restrict or repeal, or to
10 authorize, encourage, or contemplate the restriction or repeal, of the ability of a
11 school district that, as of the effective date of this section, provides for the
12 education of all resident students in one or more grades:

13 (1) by paying tuition on the students' behalf, to continue to provide
14 education by paying tuition on behalf of all students in the grade or grades; or

15 (2) by operating a school offering the grade or grades, to continue to
16 provide education by operating a school for all students in the grade or grades.

17 **Sec. 29. SCHOOL CLOSURE; SMALL SCHOOLS; INTENT**

18 (a) School closure. It is not the State's intent to close schools and nothing
19 in this act shall be construed to require, encourage, or contemplate the closure
20 of schools in Vermont.

