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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 ***** Findings *****

9 **Sec. 1. FINDINGS** [**note:** all of Sec. 1 is new since draft 1.1 (4/16/2015)]

10 (a) Vermont’s kindergarten through grade 12 student population has
11 declined from 103,000 in fiscal year 1997 to 78,300 in fiscal year 2015.

12 (b) The number of school-related personnel has not decreased in proportion
13 to the decline in student population.

14 (c) The proportion of Vermont students with severe emotional needs has
15 increased from 1.5 percent of the population in fiscal year 1997 to 78,300 in
16 fiscal year 2015. The proportion of students from families in crisis due to loss
17 of employment, opiate addiction, and other factors, has also increased during
18 this time period, requiring the State’s public schools to fulfill an array of
19 human services functions.

20 (d) [Increasing poverty / widened achievement gap.]

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1 (e) With 13 different types of school district governance structures,
2 elementary and secondary education in Vermont lacks cohesive governance
3 and delivery systems. As a result, many school districts:

4 (1) are not well-suited to achieve economies of scale; and
5 (2) lack the flexibility to manage, share, and transfer resources,
6 including personnel, with other school districts and to provide students with a
7 variety of high quality educational opportunities.

8 (f) 16 V.S.A. § 4010(f) was enacted in 1999 to protect school districts,
9 particularly small school districts, from large, sudden tax increases due to
10 declining student populations. The steady, continued decline in some districts,
11 together with the compounding effect of the legislation as written, has inflated
12 the equalized pupil count in some districts by as much as 77 percent, resulting
13 in artificially low tax rates in those communities.

14 (g) National literature suggests that the optimal size for student learning is
15 in elementary **schools** of 300 to 500 students and in high schools of 600 to 900
16 students. In Vermont, the smallest school has a total of 15 students, with 64
17 out of 300 Vermont schools having 100 or fewer students. Of those 64
18 schools, 16 have 50 or fewer students.

19 (h) National literature suggests that the optimal size for a school **district** in
20 terms of financial efficiencies is between 2,000 and 4,000 students. The

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1 smallest Vermont school district has 6 students, with 79 districts having 100 or
2 fewer students. Four Vermont school districts exceed 2,000 students.

3 (i) Vermont recognizes the important role that small schools play in the
4 social and educational fabric of the community. It is not the State’s intent to
5 close its small schools, but rather to ensure that those schools have the
6 opportunity to enjoy the expanded educational opportunities and economies of
7 scale that are available to schools within larger, more flexible governance
8 models.

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

10 () Sec. 1 (findings) shall take effect on passage.

11 ***** Preferred Education Governance Structure *****

12 **Sec. 2. PREFERRED EDUCATION GOVERNANCE STRUCTURE**

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

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

21 (2) is its own supervisory district;

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

2 (4) is organized and operates according to one of the four most common
3 governance structures:

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

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

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

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

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

19 (1) the member districts consider themselves to be collectively
20 responsible for the education of all prekindergarten through grade 12 students
21 residing in the supervisory union;

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1 **(c) Tuition payment; school operation; protection; intent.**

2 (1) Tuition payment; protection. All governance transitions
3 contemplated pursuant to this act shall preserve the ability of a district that, as
4 of the effective date of this section, provides for the education of all resident
5 students in one or more grades by paying tuition on the students' behalf, to
6 continue to provide education by paying tuition on behalf of all students in the
7 grade or grades if it chooses to do so and shall not require the district to limit
8 the options available to students if it ceases to exist as a discrete entity and
9 realigns into a supervisory district or union school district.

10 (2) School operation; protection. All governance transitions
11 contemplated pursuant to this act shall preserve the ability of a district that, as
12 of the effective date of this section, provides for the education of all resident
13 students in one or more grades by operating a school offering the grade or
14 grades, to continue to provide education by operating a school for all students
15 in the grade or grades if it chooses to do so and shall not require the district to
16 pay tuition for students if it ceases to exist as a discrete entity and realigns into
17 a supervisory district or union school district.

18 (3) Tuition payment; school operation; intent. Nothing in this act shall
19 be construed to restrict or repeal, or to authorize, encourage, or contemplate the
20 restriction or repeal, of the ability of a school district that, as of the effective

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1 date of this section, provides for the education of all resident students in one or
2 more grades:

3 (A) by paying tuition on the students' behalf, to continue to provide
4 education by paying tuition on behalf of all students in the grade or grades; or

5 (B) by operating a school offering the grade or grades, to continue to
6 provide education by operating a school for all students in the grade or grades.

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

8 () Sec. 3 (intent) shall take effect on passage.

9 ***** Voluntary Mergers; Incentives; REDS *****

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

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

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

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1 **Sec. 5.** 2010 Acts and Resolves No. 153, Sec. 4, as amended by 2012 Acts and
2 Resolves No. 156, Sec. 13, is further amended to read:

3 Sec. 4. VOLUNTARY SCHOOL DISTRICT MERGER; INCENTIVES

4 * * *

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

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

7 () Secs. 4–5 (REDS; incentives; dates) shall take effect on passage.

8 *** * * Accelerated Activity; Enhanced Incentives * * ***

9 **Sec. 6.** ACCELERATED MERGER; SUPERVISORY UNION BECOMING

10 A SUPERVISORY DISTRICT; INCENTIVES; REPORT

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

13 (1) is formed by merging the governance structures of all member
14 districts of a supervisory union into one unified union school district pursuant
15 to the processes and requirements of 16 V.S.A. chapter 11; [question: SD(s)?]

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

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

20 (4) is its own supervisory district;

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

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

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

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

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

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

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

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

20 (1) Decreased equalized homestead property tax rate or accelerated
21 action incentive grant. A new district's plan of merger shall provide whether,

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1 upon creation of the new district, the district shall receive decreased equalized
2 homestead property tax rates during the first five years of operation pursuant to
3 subdivision (A) or an incentive grant during the first year of operation pursuant
4 to subdivision (B):

5 (A)(i) **Decreased** homestead property tax rates. Subject to the
6 provisions of subdivision (iii) of this subdivision (A) and notwithstanding any
7 other provision of law, the new district's equalized homestead property tax rate
8 shall be:

9 (I) decreased by \$0.10 in the first fiscal year of operation;

10 (II) decreased by \$0.10 in the second fiscal year of operation;

11 (III) decreased by \$0.08 in the third fiscal year of operation;

12 (IV) decreased by \$0.06 in the fourth fiscal year of operation;

13 and

14 (V) decreased by \$0.04 in the fifth fiscal year of operation.

15 (ii) The household income percentage shall be calculated

16 accordingly.

17 (iii) During the years in which a new district's equalized
18 homestead property tax rate is decreased pursuant to this subdivision (A), the
19 rate for each town within the new district shall not increase by more than five
20 percent in a single year. The household income percentage shall be calculated
21 accordingly.

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1 **(B) Accelerated action incentive grant.** During the first fiscal year
2 of operation, the Secretary of Education shall pay to the new district's board an
3 accelerated action incentive grant from the Education Fund equal to \$400.00
4 multiplied by the total number of resident students in the new district in that
5 year. The grant shall be in addition to funds received under 16 V.S.A. § 4028.

6 **(C) Common level of appraisal.** Regardless of whether a new district
7 chooses to receive decreased homestead property tax rates or an accelerated
8 action incentive grant, on and after the effective date of merger, the common
9 level of appraisal shall be calculated independently for each town within the
10 new district for purposes of determining the homestead property tax rate for
11 each town.

12 **(2) Merger support grant.** Notwithstanding any provision of law to
13 the contrary, if the districts forming the new district include at least one
14 “eligible school district,” as defined in 16 V.S.A. § 4015, that received a small
15 school support grant under section 4015 in fiscal year 2016, then the new
16 district shall receive an annual merger support grant in each of the first five
17 fiscal years after it begins operation in an amount equal to the small school
18 support grant received by the eligible school district in fiscal year 2016. If
19 more than one merging district was an eligible school district, then the merger
20 support grant shall be in an amount equal to the total combined small school
21 support grants they received in fiscal year 2016.

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1 (3) Transition facilitation grant. After voter approval of the plan of
2 merger, the Secretary of Education shall pay the transitional board of the new
3 district a transition facilitation grant from the Education Fund equal to the
4 lesser of:

5 (A) five percent of the base education amount established in
6 16 V.S.A. § 4001(13) multiplied by the greater of either the combined
7 enrollment or the average daily membership of the merging districts on
8 October 1 of the year in which the successful vote is taken; or

9 (B) \$150,000.00.

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

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

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

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

6 () Sec. 6 (accelerated activity; increased incentives) shall take effect on
7 passage.

8 ***** Facilitating Voluntary Governance Transitions; Supervisory Union**

9 **Boundaries *****

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

11 § 261. ORGANIZATION AND ADJUSTMENT OF SUPERVISORY

12 UNIONS

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

19 (b)(1) Any school district that has so voted at its annual school district
20 meeting, if said meeting has been properly warned regarding such a vote, may
21 ~~apply to request that~~ request that the State Board of education for adjustment of adjust the

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1 existing boundaries of the supervisory union of which it is a ~~component~~
2 member district.

3 (2) Any group of school districts that have so voted at their respective
4 annual school district meeting, regardless of whether the districts are members
5 of the same supervisory union, may request that the State Board adjust existing
6 supervisory union boundaries and move one or more nonrequesting districts to
7 a different supervisory union if such adjustment would assist the requesting
8 districts to realign their governance structures into a unified union school
9 district pursuant to chapter 11 of this title.

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

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

18 (d) Upon application by a supervisory union board, the State Board may
19 waive any requirements of chapter 5 or 7 of this title with respect to the
20 supervisory union board structure, board composition, or board meetings, or
21 the staffing pattern of the supervisory union, if it can be demonstrated that such

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1 a waiver will result in efficient and effective operations of the supervisory
2 union; will not result in any disproportionate representation; and is otherwise
3 in the public interest.

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

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

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

7 **Sec. 8. MERGER SUPPORT GRANT**

8 (a) Notwithstanding any provision of law to the contrary and subject to
9 subsection (b) of this section, if the districts creating a union school district
10 pursuant to 16 V.S.A. chapter 11 include at least one “eligible school district,”
11 as defined in 16 V.S.A. § 4015, that received a small school support grant
12 under section 4015 in fiscal year 2016, then the new union school district shall
13 receive an annual merger support grant in each of the first five fiscal years
14 after it begins operation in an amount equal to the small school support grant
15 received by the eligible school district in fiscal year 2016. If more than one
16 merging district was an eligible school district, then the merger support grant
17 shall be in an amount equal to the total combined small school support grants
18 they received in fiscal year 2016.

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

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

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1 (2) is its own supervisory district;

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

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

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

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

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

14 (5) obtains a favorable vote of all “necessary” districts on or after July 1,
15 2015; and

16 (6) becomes operational after July 1, 2017 and on or before July 1,
17 2020.

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

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

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

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

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

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

10 **Sec. 11.** 16 V.S.A. § 4010(f) is amended to read:

11 (f) For purposes of the calculation under this section, a district’s equalized
12 pupils shall in no case be less than 96 and one-half percent of the ~~district’s~~
13 actual number of equalized pupils in the district in the previous year, prior to
14 making any adjustment under this subsection.

15 **Sec. 12.** DECLINING ENROLLMENT; TRANSITION

16 (a) If a district’s equalized pupils in fiscal year 2016 do not reflect any
17 adjustment pursuant to 16 V.S.A. § 4010(f), then Sec. 11 of this act shall apply
18 to the district in fiscal year 2017 and after.

19 (b) If a district’s equalized pupils in fiscal year 2016 reflect adjustment
20 pursuant to 16 V.S.A. § 4010(f), then, notwithstanding the provisions of
21 § 4010(f) as amended by this act:

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1 (1) in fiscal year 2017, the district’s equalized pupils shall in no case be
2 less than 90 percent of the district’s equalized pupils in the previous year; and

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

5 **Sec. 13. REPEAL**

6 16 V.S.A. § 4010(f) (declining enrollment; hold-harmless provision) is
7 repealed on July 1, 2020.

8 **Sec. 14. DECLINING ENROLLMENT; 3.5 PERCENT HOLD-HARMLESS;**
9 **GRANDFATHERED DISTRICTS**

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

15 (1) became eligible to receive incentives pursuant to Sec. 6 of this act
16 (accelerated activity);

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

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

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

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

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

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

11 ****** Current Incentives for Other Joint Activity ******

12 **Sec. 15. CURRENT INCENTIVES FOR JOINT ACTIVITY; LIMITATIONS**
13 **ON APPLICABILITY [*note:* Sec. 15 was Sec. 4 in draft 1.1]**

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

17 (1) 2012 Acts and Resolves No. 156, Sec. 2 (reimbursement of fees of
18 up to \$5,000.00 incurred by school districts or supervisory unions for initial
19 exploration of joint activity).

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1 (2) 2012 Acts and Resolves No. 156, Sec. 4 (reimbursement of analysis
2 or transition costs of up to \$10,000.00 incurred by school districts or
3 supervisory unions for joint activity other than a merger).

4 (3) 2012 Acts and Resolves No. 156, Sec. 5 (reimbursement of fees of
5 up to \$20,000.00 incurred by supervisory unions for analysis relating to the
6 advisability of merger of supervisory unions).

7 (4) 2012 Acts and Resolves No. 156, Sec. 6 (transition facilitation grant
8 of \$150,000.00 for the successful merger of two or more supervisory unions).

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

12 (6) 2012 Acts and Resolves No. 156, Sec. 11 (transition facilitation
13 grant of the lesser of \$150,000.00 or five percent of the base education amount
14 multiplied by the combined enrollment for the successful merger of two or
15 more districts other than a RED).

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

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

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

20 [December 31, 2015.]

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

2 () Sec. 15 (existing incentives; applicability) shall take effect on July 1,
3 2015.

4 ***** Supervisory Unions; Local Education Agency *****

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

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

10 () Sec. 16 (supervisory unions; local education agency) shall take effect
11 on July 1, 2015.

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

13 **Sec. 17.** 16 V.S.A. § 261a(c) is added to read:

14 (c)(1) After notice to the boards of a supervisory union and its member
15 districts, the opportunity for a period of remediation, and the opportunity for a
16 hearing, if the Secretary determines that a supervisory union or any one of its
17 member districts is failing to comply with the any provision of subsection (a)
18 of this section, then the Secretary shall notify the board of the supervisory
19 union and the board of each of its member districts that the education property
20 tax rates for nonresidential and homestead property shall be increased by five
21 percent in each district within the supervisory union and the household income

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1 percentage shall be adjusted accordingly in the next fiscal year for which tax
2 rates will be calculated. The districts' actual tax rates shall be increased by
3 five percent, and the household income percentage adjusted, in each
4 subsequent fiscal year until the fiscal year following the one in which the
5 Secretary determines that the supervisory union and its districts are in
6 compliance. If the Secretary determines that the failure to comply with the
7 provisions of subsection (a) of this section is solely the result of the actions of
8 the board of one member district, then the tax increase in this subsection (c)
9 shall apply only to the tax rates for that district. Subject to Vermont Rule of
10 Civil Procedure 75, the Secretary's determination shall be final. [note: not
11 *really necessary to include because right to appeal under VRCP 75 exists*
12 *whether this says it does or not]*

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

14 () Sec. 17 (supervisory union duties; failure to comply; tax rates) shall
15 take effect on July 1, 2016; provided, however, that tax rates shall not be
16 increased pursuant to this section prior to fiscal year 2018.

17 ****** Transition of Employees ******

18 **Sec. 18.** 16 V.S.A. chapter 53, subchapter 3 is added to read:

19 Subchapter 3. TRANSITION OF EMPLOYEES

20 § 1801. DEFINITIONS

21 As used in this subchapter:

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1 (1) “New District” means a district created by the realignment or merger
2 of two or more current districts into a new supervisory district, union school
3 district, or any other form of merged or realigned district authorized by law,
4 regardless of whether one or more of the districts creating the New District (a
5 Realigning District) is a town school district, a city school district, an
6 incorporated school district, a union school district, a unified union school
7 district, or a supervisory district.

8 (2) “New SU” means a supervisory union created from the merger or
9 realignment of two or more current supervisory unions or of all or some of the
10 districts in one or more current supervisory unions (a Realigning SU). “New
11 SU” also means a supervisory union created by the State Board’s adjustment of
12 the borders of one or more current supervisory unions or parts of supervisory
13 unions pursuant to section 261 of this title or otherwise, regardless of whether
14 the New SU is known by the name of one of the current supervisory unions or
15 the adjustment is otherwise structured or considered to be one in which one
16 current supervisory union (the Absorbing SU) is absorbing one or more other
17 supervisory unions or parts of supervisory unions into the Absorbing SU.

18 (3) “Employees of a Realigning Entity” means the licensed and
19 nonlicensed employees of a Realigning District or Realigning SU, or both, that
20 create the New District or New SU, and includes employees of an Absorbing

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1 SU and employees of a Realigning SU whose functions will be performed by
2 employees of a New District that is a supervisory district.

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

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

12 § 1802. TRANSITION OF EMPLOYEES TO NEWLY CREATED
13 EMPLOYER

14 (a) Prior to the first day of a New District’s or a new SU’s existence, upon
15 creation of the Transitional Board, the Board shall:

16 (1) appoint a negotiations council for the New District or New SU for
17 the purpose of negotiating with future employees’ representatives; and

18 (2) recognize the representatives of the Employees of the Realigning
19 Districts or Realigning SUs as the recognized representatives of the employees
20 of the New District or New SU.

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1 (b) Negotiations shall commence within 90 days after formation of the
2 Transitional Board and shall be conducted pursuant to the provisions of chapter
3 57 of this title for teachers and administrators and pursuant to 21 V.S.A.
4 chapter 22 for other employees.

5 (c) An Employee of a Realigning District or Realigning SU who was not a
6 probationary employee shall not be considered a probationary employee of the
7 New District or New SU.

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

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

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

19 (3) a new employee beginning employment after the first day of the
20 New District's or New SU's existence shall be covered by the agreement in
21 effect that applies to the largest bargaining unit for Employees of the

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1 Realigning Districts in the New District or for Employees of the Realigning
2 SU in the New SU.

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

7 § 1803. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

8 (a) A New District or New SU, on the first day of its existence, shall
9 assume the responsibilities of any one or more of the Realigning Districts or
10 Realigning SUs that have been participants in the system; provided, however,
11 that this subsection shall not be construed to extend benefits to an employee
12 who would not otherwise be a member of the system under any other provision
13 of law.

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

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

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

2 () Sec. 18 (transition of employees) shall take effect on passage and shall
3 apply to a New District or New SU that has its first day of operation on or after
4 that date.

5 ***** Unified Union School District; Definition *****

6 **Sec. 19.** 16 V.S.A. § 722 is amended to read:

7 § 722. UNIFIED UNION DISTRICTS

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

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

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

15 (3) paying tuition for all grades.

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

19 (c) If provided for in the committee report, the unified union school district
20 ~~school~~ board may be elected and may conduct business for the limited purpose

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1 of preparing for the transition to unified union district administration while the
2 proposed member school districts continue to operate schools.

3 (d) The functions of the legislative branch of each preexisting school
4 district in warning meetings and conducting elections of unified union school
5 district board members shall be performed by the corresponding board of
6 alderpersons of a city or city council, the selectboard of a town, or the trustees
7 of an incorporated school district as appropriate.

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

9 () Sec. 19 (unified union school district; definition) shall take effect on
10 passage.

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

12 **Coordination; Report *****

13 **Sec. 20. COORDINATION OF EDUCATIONAL AND SOCIAL**
14 **SERVICES; REPORT**

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

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

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

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

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

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

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

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

2 () Sec. 20 (Agencies of Education and of Human Services; coordination)
3 shall take effect on passage.

4 ***** Quality Assurance; Accountability *****

5 **Sec. 21.** 16 V.S.A. § 165(b)(1) – (4) are amended and subdivision (5) is added
6 to read:

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

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

11 (3) the Secretary assume administrative control of an individual school,
12 school district, or supervisory union, including budgetary control to ensure
13 sound financial practices, only to the extent necessary to correct deficiencies;

14 ~~or~~

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

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

Draft 2.1 not reviewed by editors!

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

2 () Sec. 21 (authorities of State Board of Education) shall take effect on
3 July 1, 2020.

4 **Sec. 22. QUALITY ASSURANCE; ACCOUNTABILITY**

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

7 (1) the discussions, studies, and activity among districts to move
8 voluntarily toward creating a unified union school district as set forth in Sec.
9 2(a) (preferred governance structure) of this act;

10 (2) the data collected from districts that vote prior to July 1, 2016 to
11 merge into that preferred governance structure pursuant to Sec. 6 (accelerated
12 activity) of this act and from other districts that have merged or do merge into
13 a regional education district (RED) and their variations or that otherwise merge
14 into the preferred governance structure set forth in Sec. 2(a) of this act; and

15 (3) the data and other information collected in connection with the
16 Education Quality Standards, and related on-site education quality reviews,
17 including data and information regarding the equity of educational
18 opportunities, academic outcomes, personalization of learning, a safe school
19 climate, high quality staffing, and financial efficiency.

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

21 () Sec. 22 (review of data) shall take effect on July 1, 2015.

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1 **Sec. 23. SCHOOL DISTRICTS; REQUESTS FOR REDISTRICTING;**
2 STATE BOARD OF EDUCATION; SUNSET

3 [**note:** *all of Sec. 23 is new to this draft; a variation was included in the*
4 *2/10/15 draft setting out the Governor’s proposals for review by the Senate*
5 *Education Committee*]

6 (a) As used in this section:

7 (1) “Unified Union School District” means any district formed under 16
8 V.S.A. chapter 11 that is organized to provide for the education of all resident
9 students in prekindergarten through grade 12, including a regional education
10 district (RED) or any other district eligible to receive RED incentives pursuant
11 to 2010 Acts and Resolves No. 153, as amended by 2012 Acts and Resolves
12 No. 156 and 2013 Acts and Resolves No. 56.

13 (2) “Prekindergarten – Grade 12 District” means any district other than a
14 Unified Union School District that is organized to provide for the education of
15 all resident students in prekindergarten through grade 12.

16 (b) Notwithstanding any provision of law to the contrary, if the majority of
17 the members of a school board determine that it is desirable for the district (the
18 District) to merge with a Union School District or with a Prekindergarten –
19 Grade 12 District that has at least twice as many resident students as the
20 District, then, after an annual or special meeting duly warned for the purpose at
21 which the District’s electorate vote in favor of merger, the District may file a

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1 petition with the Secretary of Education asking for merger of the District with
2 the Union School District or the Prekindergarten–Grade 12 District. The
3 Secretary shall transmit the petition with his or her recommendations to the
4 State Board of Education.,

5 (c) The State Board shall review the District’s petition and provide an
6 opportunity for testimony and further investigation in a manner comparable to
7 the process in 16 V.S.A. § 706c(b). The State Board shall order merger of the
8 District with the Union School District or the Prekindergarten–Grade 12
9 District if it determines that the merger will:

10 (1) be in the best interest of the State, the students, and all affected
11 districts: and

12 (2) result in a sustainable governance structure that will provide
13 substantial equity in the quality and variety of educational opportunities
14 statewide; maximize operational efficiencies through increased flexibility to
15 manage, share, and transfer resources; and promote transparency and
16 accountability.

17 (d) The State Board shall transmit the order to the Secretary of Education.
18 The order shall include the date on which the new unified union school district
19 shall become operational, which shall be a date that provides sufficient time for
20 the existing districts to address transitional issues, including the need to make

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1 any necessary amendments to existing articles of agreement pursuant to 16
2 V.S.A. § 706n.

3 (e) Upon receiving the order from the State Board, the Secretary of
4 Education and Secretary of State shall designate, certify, and record the
5 existence of the new unified union school district in a manner comparable to
6 the process in 16 V.S.A. § 706g.

7 (e) This section is repealed on July 1, 2020.

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

9 () Sec. 23 (authority of State Board of Education to redistrict) shall take
10 effect on passage.

11 ***** Transition to Sustainable Governance Structures *****

12 **Sec. 24. VOLUNTARY SELF-EVALUATION, MEETINGS, AND**

13 **DECLARATION** [**note:** *all of Sec. 24 is new to this draft; variations*
14 *have appeared in connection with other concepts reviewed by the Committee]*

15 (a) On or before June 30, 2019, the board of each school district in the
16 State that has a governance structure different than the preferred structure set
17 forth in Sec. 2(a) of this act or that will not be moving into the preferred
18 structure on or before July 1, 2020 may choose to pursue one or more of the
19 following actions:

20 (1) **Self-evaluation.** The board may choose to evaluate the quality and
21 variety of educational opportunities the district offers and the district's

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1 operational efficiencies, including its flexibility to manage, share, and transfer
2 resources with other districts.

3 **(2) Meetings.**

4 (A) The board may choose to meet with the boards of one or more
5 other districts, including those representing districts that have similar patterns
6 of school operation and tuition payment, to discuss ways to promote
7 improvement throughout the region in connection with:

8 (i) the quality, variety, and equity of available educational
9 opportunities;

10 (ii) operational efficiencies, including the flexibility to manage,
11 share, and transfer resources; and

12 (iii) transparency and accountability.

13 (B) The districts would not need to be contiguous and would not need
14 to be within the same supervisory union.

15 **(3) Declaration.** A board of a district, solely on behalf of its own
16 district or jointly with the boards of other districts, may choose to submit a
17 letter to the Secretary of Education and the State Board of Education that:

18 (A) declares the district's intention to retain its current governance
19 structure or to work with other districts to form a different governance
20 structure or otherwise enter into joint activity;

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1 (B) demonstrates, through reference to enrollment projections,
2 student-to-staff ratios, the comprehensive data collected pursuant to 16 V.S.A.
3 § 165, and otherwise, how the decision stated in subdivision (A) of this
4 subdivision supports the district's or districts' ability to:

5 (i) provide high-quality and varied educational opportunities that
6 are substantially equitable when compared to opportunities available statewide;

7 (ii) to maximize operational efficiencies through increased
8 flexibility to manage, share, and transfer resources among educational units;
9 and

10 (iii) to promote transparency and accountability; and

11 (C) identifies detailed actions it would take to continue to improve
12 its performance in each of the three areas set forth in subdivisions (B)(i) – (iii).

13 **Sec. 25. FISCAL YEAR 2021; TRANSITION TO SUSTAINABLE**

14 GOVERNANCE STRUCTURES [***note:*** *Sec. 27 was amended*
15 *throughout, mostly to increase clarity, since appearing in draft 1.1 as Sec. 27]*

16 (a) In order to provide substantial equity in the quality and variety of
17 educational opportunities statewide; to maximize operational efficiencies
18 through increased flexibility to manage, share, and transfer resources; and to
19 promote transparency and accountability, the Secretary of Education shall:

20 (1) review the governance structures of the school districts and
21 supervisory unions of the State as they will exist on July 1, 2020, which review

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1 shall include consideration of any declarations submitted by districts or groups
2 of districts pursuant to Sec. 24 of this act and conversations with those and
3 other districts; and

4 (2) On or before April 1, 2020, shall develop, publish on the Agency's
5 website, and present a proposed plan to the State Board of Education that, to
6 the extent necessary to promote the purpose stated at the beginning of this
7 subsection (a), would move districts into the more sustainable, preferred model
8 of governance set forth in Sec. 2(a) of this act. If it is not possible or
9 practicable to develop a proposal that realigns districts, where necessary, in a
10 manner that adheres to the protections of Sec. 3(c) (protection for tuition-
11 paying and operating districts) or that otherwise meets all aspects of Sec. 2(a),
12 then the proposal may include alternative governance structures as necessary,
13 such as a supervisory union with member districts or a unified union school
14 district with a smaller average daily membership; provided, however, that any
15 proposed alternative governance structure shall be designed to:

16 (A) ensure adherence to the protections of Sec. 3(c); and

17 (B) promote equity of educational opportunities, financial
18 efficiencies, accountability, and transparency in a sustainable governance
19 structure.

20 (b) State Board's order. On or before December 31, 2020, the State Board
21 shall review and analyze the Secretary's proposal under the provisions in

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1 subsection (a) of this section, may take testimony or ask for additional
2 information from districts and supervisory unions, shall approve the proposal
3 in either its original form or in an amended form that adheres to the provisions
4 of subsection (a), and shall publish on the Agency of Education’s website the
5 order realigning districts and supervisory unions where necessary.

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

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

10 (1) interstate school districts;

11 (2) regional career technical center school districts formed under 16
12 V.S.A. chapter 37, subchapter 5A; or

13 (3) districts that, between [June 30, 2013] and July 2, 2020, have
14 voluntarily created and begun to operate as a unified union school district that:

15 (A) is a regional education district (RED) or a district eligible to
16 receive RED incentives;

17 (B) is formed pursuant to the preferred structure set forth Sec. 2(a) of
18 this act.

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

20 () Sec. 25 (transition to sustainable governance structures) shall take
21 effect on July 1, 2015.

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* * * Education Technical Assistant; Position * * *

Sec. 26. EDUCATION TECHNICAL ASSISTANT

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

[to be moved to EFFECTIVE DATE section]

() Sec. 26 (limited service exempt position) shall take effect on July 1, 2015.

*** * * Effective Dates * * ***

Sec. ____ . EFFECTIVE DATES

() _____

() This section shall take effect on passage.

(Committee vote: _____)

Senator _____

FOR THE COMMITTEE