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To: House Ways and Means Committee
From: Rebecca Holcombe, Ed.D., Secretary of Education 
Date: February 1, 2017
Re: Testimony on budget votes

The committee asked for testimony on how district budget votes work:

School districts budgets are voted at each annual town school district meeting. If the budget fails, the district has to revote the budget at a specially warned meeting. 16 V.S.A. § 428. Similarly, if a union school district budget is rejected, the union district board must prepare a revised budget and establish a date for a new vote following a public informational meeting 16 V.S.A. § 711e (f). If the revised budget is rejected, “the board shall repeat the procedure until the budget is adopted.”

Each time the budget is warned, it must be by posting a warning and notice in at least two public places in the municipality, and in or near the town clerk’s office, not less than 30 nor more than 40 days before the meeting. 17 V.S.A. § 2641. Until a budget is passed by the electorate, there is no budget.

In the absence of a successful budget vote by June 30, the school board may borrow funds necessary to enable the district to operate the schools on a budget up to 87 percent of the most recently approved school budget. If the school borrows money under this section, it determines how such funds shall be expended. 16 V.S.A. § 566.

Districts that have not adopted a budget by 30 days before September 10, (the date the first payment is made from the Education Fund to the districts), receive one-quarter of the base education amount. 16 V.S.A. § 4028. If a budget is not passed by December 10, (the date of the second payment from the Education Fund to the districts), the district will receive another one-quarter of the base education amount. If a budget is not passed by April 30, (the date of the third and final payment from the Education Fund to the districts), the district will receive another one-quarter of the base education amount. Once the district adopts a budget, it will receive additional amounts (to come up to 25% of the voted budget).

Thus, **there is no provision for having no budget:** voters must keep voting and the board must keep revising until a budget passes, with a **30-day reconsideration period between each vote.** If many votes fail, it would delay and disrupt the **setting of the final yield rate,** which is the basis of the tax rate, because there would be too much uncertainty as to final budget totals. Our current statewide system of funding education depends upon local decisions being made in a timely way.

Districts are given broad latitude to develop a budget that reflects local priorities, and each district has a substantially equivalent ability to raise revenue to support that budget on a per equalized student basis. The preference for local decision-making is explicitly recognized in 16 V.S.A. § 1 which states that “one of the strengths of Vermont's education system lies in its rich diversity and the ability for each local school district to adapt its educational program to local needs and desires.” The funding formula allows less wealthy communities to spend more than they would in the absence of an equalization funding formula.

S. 46 proposes to set a special school budget vote for May 23, 2017 to vote the fiscal year 2018 budget. The purpose of this delay is to allow districts time to rework their budgets to “level spend” in their 2018 budgets.

The mechanism in the bill to achieve level funding is stated in section 4(a) of that bill as follows:

Notwithstanding any other provision of law, for fiscal year 2018 only, the amount of payments to support education under 16 V.S.A. § 4011 and 4028(a) shall not exceed the amount of payments made to the district under those provisions in 2017.

Thus, according to this proposed language, State payments to the districts would not exceed FY2017 payments; the language ensures that districts get level aid, regardless of what budget they approve. Given that, the practical purpose of a delayed vote would be to allow districts to determine the amount they will raise on their own grand lists, as per Section 4(b) of the bill (S. 46).