

**No. 46. An act relating to making amendments to education funding, education spending, and education governance.**

(H.361)

It is hereby enacted by the General Assembly of the State of Vermont:

\* \* \* Findings; Goals; Intent \* \* \*

**Sec. 1. FINDINGS**

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

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

(c) The proportion of Vermont students with severe emotional needs has increased from 1.5 percent of the population in fiscal year 1997 to 2.3 percent in fiscal year 2015. In addition, the proportion of students from families in crisis due to loss of employment, opiate addiction, and other factors has also increased during this time period, requiring the State's public schools to fulfill an array of human services functions.

(d) From July 1997 through July 2014, the number of Vermont children ages 6 through 17 residing with families receiving nutrition benefits has increased by 47 percent, from 13,000 to 19,200. While other factors affect student academic performance, studies demonstrate that when the percentage of students in a school who are living in poverty increases, student performance and achievement have a tendency to decrease.

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

(1) are not well-suited to achieve economies of scale; and

(2) lack the flexibility to manage, share, and transfer resources,

including personnel, with other school districts and to provide students with a variety of high-quality educational opportunities.

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

(g) National literature suggests that the optimal size for student learning is in elementary schools of 300 to 500 students and in high schools of 600 to 900 students. In Vermont, the smallest elementary school has a total enrollment of 15 students (kindergarten–grade 6) and the smallest high school has a total enrollment of 55 students (grades 9–12). Of the 300 public schools in Vermont, 205 have 300 or fewer enrolled students and 64 have 100 or fewer enrolled students. Of those 64 schools, 16 have 50 or fewer enrolled students.

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

smallest Vermont school district has an average daily membership (ADM) of six students, with 79 districts having an ADM of 100 or fewer students. Four Vermont school districts have an ADM that exceeds 2,000 students.

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

(j) The presence of multiple public schools within a single district not only supports flexibility in the management and sharing of resources, but it promotes innovation. For example, individual schools within a district can more easily develop a specialized focus, which, in turn, increases opportunities for students to choose the school best suited to their needs and interests.

## **Sec. 2. GOALS**

By enacting this legislation, the General Assembly intends to move the State toward sustainable models of education governance. The legislation is designed to encourage and support local decisions and actions that:

(1) provide substantial equity in the quality and variety of educational opportunities statewide;

(2) lead students to achieve or exceed the State's Education Quality Standards, adopted as rules by the State Board of Education at the direction of the General Assembly;

(3) maximize operational efficiencies through increased flexibility to manage, share, and transfer resources, with a goal of increasing the district-level ratio of students to full-time equivalent staff;

(4) promote transparency and accountability; and

(5) are delivered at a cost that parents, voters, and taxpayers value.

### **Sec. 3. SCHOOL CLOSURE; SMALL SCHOOLS; INTENT**

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

(b) Small schools; intent. As stated in subsection 1(i) of this act, it is not the State's intent to close its small schools, but rather to ensure that those schools have the opportunity to enjoy the expanded educational opportunities and economies of scale that are available to schools within larger, more flexible governance models.

### **Sec. 4. TUITION PAYMENT; SCHOOL OPERATION; PROTECTIONS; INTENT**

(a) Tuition payment; protection. All governance transitions contemplated pursuant to this act shall preserve the ability of a district that, as of the effective date of this section, provides for the education of all resident students

in one or more grades by paying tuition on the students' behalf, to continue to provide education by paying tuition on behalf of all students in the grade or grades if it chooses to do so and shall not require the district to limit the options available to students if it ceases to exist as a discrete entity and realigns into a supervisory district or union school district.

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

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

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

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

\* \* \* Governance Structures to Achieve Education Policy Goals \* \* \*

**Sec. 5. PREFERRED EDUCATION GOVERNANCE STRUCTURE;**

**ALTERNATIVE STRUCTURE**

(a) On or before July 1, 2019, the State shall provide educational opportunities through sustainable governance structures designed to meet the goals set forth in Sec. 2 of this act pursuant to one of the models described in this section.

(b) Preferred structure: prekindergarten–grade 12 supervisory district (Education District). The preferred education governance structure in Vermont is a 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; and

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

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

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

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

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

(c) Alternative structure: supervisory union with member districts. An Education District as envisioned in subsection (b) of this section may not be possible or the best model to achieve Vermont's education goals in all regions of the State. In such situations, a supervisory union composed of multiple member districts, each with its separate school board, can meet the State's goals, particularly if:

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

(2) the supervisory union operates in a manner that maximizes efficiencies through economies of scale and the flexible management, transfer, and sharing of nonfinancial resources among the member districts;

(3) the supervisory union has the smallest number of member school districts practicable, achieved wherever possible by the merger of districts with similar operating and tuitioning patterns; and

(4) the combined average daily membership of all member districts is not less than 1,100.

Sec. 6. ACCELERATED ACTIVITY; SUPERVISORY UNION

BECOMING A SUPERVISORY DISTRICT; ENHANCED TAX

INCENTIVES; SMALL SCHOOL SUPPORT; DATA AND REPORT

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

(1) is formed by merging the governance structures of all member districts of a supervisory union into one unified union school district pursuant to the processes and requirements of 16 V.S.A. chapter 11, and also could include merger with a neighboring supervisory district;

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

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

(4) is its own supervisory district;

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

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

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

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

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

(7) demonstrates in the study committee report presented to the State Board and district voters pursuant to 16 V.S.A. chapter 11 that the proposed governance changes will meet the goals set forth in Sec. 2 of this act;

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

(9) provides data as requested by the Agency of Education and otherwise assists the Agency to assess whether and to what extent the consolidation of governance results in an increased ability to meet the goals set forth in Sec. 2 of this act.

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

(1) Decreased equalized homestead property tax rate.

(A) Subject to the provisions of this subdivision (1) and notwithstanding any other provision of law, the new district's equalized homestead property tax rate shall be:

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

(ii) decreased by \$0.08 in the second fiscal year of operation;

(iii) decreased by \$0.06 in the third fiscal year of operation;

(iv) decreased by \$0.04 in the fourth fiscal year of operation; and

(v) decreased by \$0.02 in the fifth fiscal year of operation.

(B) The household income percentage shall be calculated accordingly.

(C) During the years in which a new district's equalized homestead property tax rate is decreased pursuant to this subdivision (1), the rate for each town within the new district shall not increase by more than five percent in a single year. The household income percentage shall be calculated accordingly.

(D) On and after the effective date of merger, the common level of appraisal shall be calculated independently for each town within the new district for purposes of determining the homestead property tax rate for each town.

(2) Merger Support Grant.

(A) Notwithstanding any provision of law to the contrary, if the districts forming the new district 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 district shall receive an annual Merger Support Grant 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) Payment of the grant under this subdivision (2) shall continue annually unless explicitly repealed by the General Assembly; provided, however, that the Secretary shall discontinue payment of the grant in the fiscal year following closure by the merged district of a school located in what had been an “eligible school district” prior to merger; and further provided that if a school building located in a formerly “eligible school district” is closed in order to consolidate with another school into a renovated or new school building, then the Secretary shall continue to pay the grant during the repayment term of any bonded indebtedness incurred in connection with the consolidation-related renovation or construction.

(3) Transition Facilitation Grant.

(A) After voter approval of the plan of merger, the Secretary of Education shall pay the transitional board of the new district a **transition facilitation grant from the Education Fund equal to the lesser of:**

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

(ii) **\$150,000.00.**

(B) A Transition Facilitation Grant awarded under this subdivision (3) shall be reduced by the total amount of reimbursement paid for consulting services, analysis, and transition costs pursuant to 2012 Acts and Resolves No. 156, Secs. 2, 4, and 9.

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

(d) The Secretary of Education, in collaboration with other entities such as the University of Vermont or the Regional Educational Laboratory–Northeast and Islands, shall collect and analyze data from the new districts created under this section regarding educational opportunities, operational efficiencies, transparency, accountability, and other issues following merger. Beginning on January 15, 2016, and annually through January 2021, the Secretary shall submit a report to the House and Senate Committees on Education and on Appropriations, the House Committee on Ways and Means, and the Senate Committee on Finance regarding the districts merging under this section, conclusions drawn from the data collected, and any recommendations for legislative action.

**Sec. 7. SCHOOL DISTRICTS CREATED AFTER DEADLINE FOR  
ACCELERATED ACTIVITY; TAX INCENTIVES; SMALL  
SCHOOL SUPPORT; JOINT CONTRACT SCHOOLS**

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

(1) is formed pursuant to the processes and requirements of 16 V.S.A. chapter 11 (union school district formation);

(2) obtains a favorable vote of all “necessary” districts, which do not need to be contiguous or within the same supervisory union, on or after July 1, 2015;

(3) meets the criteria for an accelerated merger set forth in subdivisions 6(a)(3) through (7) of this act; and

(4) becomes operational after July 1, 2017, and on or before July 1, 2019.

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

(1) Equalized homestead tax rates.

(A) Subject to the provisions of this subdivision (1) and notwithstanding any other provision of law, the new district’s equalized homestead property tax rate shall be:

(i) decreased by \$0.08 the first fiscal year of operation;

(ii) decreased by \$0.06 the second fiscal year of operation;

(iii) decreased by \$0.04 the third fiscal year of operation; and

(iv) decreased by \$0.02 the fourth fiscal year of operation.

(B) The household income percentage shall be calculated accordingly.

(C) During the years in which a new district's equalized homestead property tax rate is decreased pursuant to this subdivision (1), the rate for each town within the new district shall not increase or decrease by more than five percent in a single year. The household income percentage shall be calculated accordingly.

(D) On and after the effective date of merger, the common level of appraisal shall be calculated independently for each town within the new district for purposes of determining the homestead property tax rate for each town.

(2) Merger Support Grant.

(A) Notwithstanding any provision of law to the contrary, if the districts forming the new district 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 the fiscal year two years prior to the first fiscal year of merger, then the new district shall receive an annual Merger Support Grant in an amount equal to the small school support grant received by the eligible school district in the fiscal year two years prior to the first fiscal year of merger. 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 the fiscal year two years prior to the first fiscal year of merger.

(B) Payment of the grant under this subdivision (2) shall continue annually unless explicitly repealed by the General Assembly; provided, however, that the Secretary shall discontinue payment of the grant in the fiscal year following closure by the merged district of a school located in what had been an “eligible school district” prior to merger; and further provided that if a school building located in a formerly “eligible school district” is closed in order to consolidate with another school into a renovated or new school building, then the Secretary shall continue to pay the grant during the repayment term of any bonded indebtedness incurred in connection with the consolidation-related renovation or construction.

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

(d) Notwithstanding other provisions of law to the contrary, if two or more districts enter into a contract pursuant to 16 V.S.A. chapter 11, subchapter 1 to operate a school jointly, and if at least one of the districts was an “eligible school district” that received a small school support grant in the fiscal year two

years prior to the effective date of the contract, then the contracting school districts, as a single unit, shall receive annual merger support grants pursuant to the provisions of subdivision (b)(2) of this section; provided, however, that this section shall apply only to contracting districts that receive a favorable vote of all affected districts to enter into a finalized contract after the effective date of this section and on or before July 1, 2017.

**Sec. 8. EVALUATION BY THE STATE BOARD OF EDUCATION**

(a) School districts. When evaluating a proposal to create a union school district pursuant to 16 V.S.A. chapter 11, including a proposal submitted pursuant to the provisions of Secs. 6 or 7 of this act, the State Board of Education shall:

(1) consider whether the proposal is designed to create a sustainable governance structure that can meet the goals set forth in Sec. 2 of this act; and

(2) be mindful of any other district in the region that may become geographically isolated, including the potential isolation of a district with low fiscal capacity or with a high percentage of students from economically deprived backgrounds as identified in 16 V.S.A. § 4010(d).

(A) At the request of the State Board, the Secretary of Education shall work with the potentially isolated district and other districts in the region to move toward a sustainable governance structure that is designed to meet the goals set forth in Sec. 2 of this act.

(B) The State Board is authorized to deny approval to a proposal that would geographically isolate a district that would not be an appropriate member of another sustainable governance structure in the region.

(b) Supervisory unions. The State Board shall approve the creation, expansion, or continuation of a supervisory union only if the Board concludes that this alternative structure:

(1) is the best means of meeting the goals set forth in Sec. 2 of this act in a particular region; and

(2) ensures transparency and accountability for the member districts and the public at large, including transparency and accountability in relation to the supervisory union budget, which may include a process by which the electorate votes directly whether to approve the proposed supervisory union budget.

#### Sec. 9. SELF-EVALUATION, MEETINGS, AND PROPOSAL

(a) On or before November 30, 2017, the board of each school district in the State that has a governance structure different from the preferred structure identified in Sec. 5(b) of this act (Education District), or that does not expect to become or will not become an Education District on or before July 1, 2019, shall perform each of the following actions.

(1) Self-evaluation. The board shall evaluate its current ability to meet or exceed each of the goals set forth in Sec. 2 of this act.

(2) Meetings.

(A) The board shall meet with the boards of one or more other districts, including those representing districts that have similar patterns of school operation and tuition payment, to discuss ways to promote improvement throughout the region in connection with the goals set forth in Sec. 2 of this act.

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

(3) Proposal. The board of the district, solely on behalf of its own district or jointly with the boards of other districts, shall submit a proposal to the Secretary of Education and the State Board of Education in which the district:

(A) proposes to retain its current governance structure, to work with other districts to form a different governance structure, or to enter into another model of joint activity;

(B) demonstrates, through reference to enrollment projections, student-to-staff ratios, the comprehensive data collected pursuant to 16 V.S.A. § 165, and otherwise, how the proposal in subdivision (A) of this subdivision (3) supports the district's or districts' ability to meet or exceed each of the goals set forth in Sec. 2 of this act; and

(C) identifies detailed actions it proposes to take to continue to improve its performance in connection with each of the goals set forth in Sec. 2 of this act.

## **Sec. 10. TRANSITION TO SUSTAINABLE GOVERNANCE**

### **STRUCTURES; PROPOSAL; FINAL PLAN**

(a) Secretary of Education's proposal. In order to provide educational opportunities through sustainable governance structures designed to meet the goals set forth in Sec. 2 of this act pursuant to one of the models described in Sec. 5, the Secretary shall:

(1) Review the governance structures of the school districts and supervisory unions of the State as they will exist, or are anticipated to exist, on July 1, 2019. This review shall include consideration of any proposals submitted by districts or groups of districts pursuant to Sec. 9 of this act and conversations with those and other districts.

(2) On or before June 1, 2018, shall develop, publish on the Agency of Education's website, and present to the State Board of Education a proposed plan that, to the extent necessary to promote the purpose stated at the beginning of this subsection (a), would move districts into the more sustainable, preferred model of governance set forth in Sec. 5(b) of this act (Education District). If it is not possible or practicable to develop a proposal that realigns some districts, where necessary, into an Education District in a manner that adheres to the protections of Sec. 4 of this act (protection for

tuition-paying and operating districts) or that otherwise meets all aspects of Sec. 5(b), then the proposal may also include alternative governance structures as necessary, such as a supervisory union with member districts or a unified union school district with a smaller average daily membership; provided, however, that any proposed alternative governance structure shall be designed to:

(A) ensure adherence to the protections of Sec. 4 of this act; and

(B) promote the purpose stated at the beginning of this subsection (a).

(b) State Board's plan. On or before November 30, 2018, the State Board shall review and analyze the Secretary's proposal under the provisions in subsection (a) of this section, may take testimony or ask for additional information from districts and supervisory unions, shall approve the proposal either in its original form or in an amended form that adheres to the provisions of subsection (a) of this section, and shall publish on the Agency's website its order merging and realigning districts and supervisory unions where necessary.

(c) Applicability. This section shall not apply to:

(1) an interstate school district;

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

(3) a district that, between June 30, 2013 and July 2, 2019, began to operate as a unified union school district and:

(A) voluntarily merged into the preferred education governance structure, an Education District, as set forth Sec. 5(b) of this act; or

(B) is a regional education district or any other district eligible to receive incentives pursuant to 2010 Acts and Resolves No. 153, as amended by 2012 Acts and Resolves No. 156.

Sec. 11. QUALITY ASSURANCE; ACCOUNTABILITY; DATA  
COLLECTION

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

(1) the discussions, studies, and activity among districts to move voluntarily toward creating the preferred education governance structure, an Education District, as set forth Sec. 5(b) of this act;

(2) the data collected from districts that vote prior to July 1, 2016 to merge into a supervisory district pursuant to Sec. 6 (accelerated activity) of this act and from other districts that have merged or do merge into a regional education district or one of its variations or into an Education District as otherwise provided in this act; and

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

Sec. 12. 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.

\* \* \* Merger Support Grants; Current and Other Incentives \* \* \*

**Sec. 13. REFUND UPON SALE OF SCHOOL BUILDINGS**

**REQUIREMENT; NEW SCHOOL DISTRICTS; JOINT**

**CONTRACT SCHOOLS**

(a) Notwithstanding 16 V.S.A. § 3448(b), the refund upon sale requirement shall not apply to:

(1) a union school district created under 16 V.S.A. chapter 11 that becomes operational on or after July 1, 2015; and

(2) two or more districts that, on or after July 1, 2015, enter into a contract pursuant to 16 V.S.A. chapter 11, subchapter 1 to operate a school jointly.

(b) As used in subsection (a) of this section, a union school district established under 16 V.S.A. chapter 11 includes a school district voluntarily

created pursuant to the provisions of this act, or a regional education district or any other district eligible to receive incentives pursuant to 2010 Acts and Resolves No. 153, as amended by 2012 Acts and Resolves No. 156 and 2013 Acts and Resolves No. 56.

(c) This section is repealed on July 1, 2017.

Sec. 14. REVIEW OF THE REFUND UPON SALE REQUIREMENT

(a) The Secretary of Education shall review school districts subject to the provisions of 16 V.S.A. § 3448(b). The review shall include:

(1) each school district that has received State aid for school construction;

(2) the total amount of State aid for school construction that has been refunded to the State;

(3) the percentage of the sale price that each school district would be required to refund to the State upon the sale of a school building; and

(4) a list of all school buildings that are not in use for any purpose.

(b) In addition, the Secretary shall consider:

(1) whether and to what extent the State should exempt school districts from the provisions of 16 V.S.A. § 3448(b), including when a former school building is purchased by a nonprofit entity or is used for a community purpose; and

(2) the potential cost of providing State aid to school districts for the renovation or construction of school buildings conducted in connection with

the merger of school district governance structures, and possible funding sources.

(c) On or before December 1, 2015, the Secretary shall report to the House Committees on Education and on Corrections and Institutions and the Senate Committees on Education and on Institutions on the work required by this section.

Sec. 15. 2010 Acts and Resolves No. 153, Sec. 4(d) is amended to read:

(d) Merger support grant.

(1) If the merging districts of a RED included at least one “eligible school district,” as defined in 16 V.S.A. § 4015, that had received a small school support grant under section 4015 in the fiscal year two years prior to the first fiscal year of merger, then the RED shall be eligible to receive a merger support grant in each of its first five fiscal years annually in an amount equal to the small school support grant received by the eligible school district in the fiscal year two years prior to the first fiscal year of merger. 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 the fiscal year two years prior to the first fiscal year of merger.

(2) Payment of the merger support grant under this subsection (d) shall continue annually unless explicitly repealed by the General Assembly; provided, however, that the Secretary shall discontinue payment of the grant in the fiscal year following closure by the merged district of a school located in

what had been an “eligible school district” prior to merger; and further provided that if a school building located in a formerly “eligible school district” is closed in order to consolidate with another school into a renovated or new school building, then the Secretary shall continue to pay the grant during the repayment term of any bonded indebtedness incurred in connection with the consolidation-related renovation or construction.

Sec. 16. 2010 Acts and Resolves No. 153, Sec. 2(a), as amended by 2012 Acts and Resolves No. 156, Sec. 1, is further amended to read:

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

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

Sec. 4. VOLUNTARY SCHOOL DISTRICT MERGER; INCENTIVES

\* \* \*

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

Sec. 18. CURRENT INCENTIVES FOR JOINT ACTIVITY; LIMITATIONS  
ON APPLICABILITY

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

(1) 2012 Acts and Resolves No. 156, Sec. 6 (transition facilitation grant of \$150,000.00 for the successful merger of two or more supervisory unions).

(2) 2012 Acts and Resolves No. 156, Sec. 11 (transition facilitation grant of the lesser of \$150,000.00 or five percent of the base education amount multiplied by the combined enrollment for the successful merger of two or more districts other than a RED).

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

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

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

December 31, 2015.

Sec. 19. AUTHORIZATION; FINANCIAL INCENTIVES

Prior to any reversions, of the amount appropriated in fiscal year 2015 pursuant to 2014 Acts and Resolves No. 179, Sec. B.505, the sum of \$620,000.00 may be expended by the Agency of Education in fiscal year 2016 for the reimbursement of costs and payment of other financial incentives

available pursuant to 2012 Acts and Resolves No. 156 to two or more school districts or two or more supervisory unions that are exploring or implementing joint activity, including merger into a regional education district or one of its variations.

\* \* \* Small School Support; Effective Fiscal Year 2020 \* \* \*

Sec. 20. 16 V.S.A. § 4015 is amended to read:

§ 4015. SMALL SCHOOL SUPPORT

(a) In this section:

(1) “Eligible school district” means a school district that:

~~operates at least one school; and~~

~~(A) has a two-year average combined enrollment of fewer than 100~~

~~students in all the schools operated by the district; or has~~

~~(B)(A) operates at least one school with an average grade size of 20~~

~~or fewer; and~~

~~(B) has been determined by the State Board, on an annual basis, to be~~

~~eligible due to either:~~

~~(i) the lengthy driving times or inhospitable travel routes between~~

~~the school and the nearest school in which there is excess capacity; or~~

~~(ii) the academic excellence and operational efficiency of the~~

~~school, which shall be based upon consideration of:~~

~~(I) the school’s measurable success in providing a variety of~~

~~high-quality educational opportunities that meet or exceed the educational~~

quality standards adopted by the State Board pursuant to section 165 of this title;

(II) the percentage of students from economically deprived backgrounds, as identified pursuant to subsection 4010(d) of this title, and those students' measurable success in achieving positive outcomes;

(III) the school's high student-to-staff ratios; and

(IV) the district's participation in a merger study and submission of a merger report to the State Board pursuant to chapter 11 of this title or otherwise.

\* \* \*

(6) "School district" means a town, city, incorporated, interstate, or union school district or a joint contract school established under subchapter 1 of chapter 11 of this title.

\* \* \*

~~(c) Small schools financial stability grant: In addition to a small schools support grant, an eligible school district whose two year average enrollment decreases by more than 10 percent in any one year shall receive a small schools financial stability grant. However, a decrease due to a reduction in the number of grades offered in a school or to a change in policy regarding paying tuition for students shall not be considered an enrollment decrease. The amount of the grant shall be determined by multiplying 87 percent of the base education amount for the current fiscal year, by the number of enrollment, to~~

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

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

\* \* \*

#### Sec. 21. SMALL SCHOOL SUPPORT; METRICS

On or before July 1, 2018, the State Board of Education shall adopt and publish metrics by which it will make determinations whether to award small school support grants pursuant to 16 V.S.A. § 4015 on and after July 1, 2019, as amended by Sec. 20 of this act.

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

**Sec. 22. 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. 23. 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. 22 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

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

(c) Notwithstanding the provisions of subsections (a) and (b) of this section, if a district is actively engaged in merger discussions with one or more other districts regarding the formation of a regional education district (RED) or other form of unified union school district pursuant to 16 V.S.A. chapter 11, then Sec. 22 of this act shall apply to the district in fiscal year 2018 and after, and each of the dates in subsection (b) of this section shall be adjusted accordingly. A district shall be "actively engaged in merger discussions" pursuant to this subsection (c) if on or before July 1, 2016, it has formed a study committee pursuant to 16 V.S.A. chapter 11.

**Sec. 24. REPEAL**

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

**Sec. 25. DECLINING ENROLLMENT; 3.5 PERCENT HOLD-HARMLESS;**

**GRANDFATHERED DISTRICTS**

Beginning in fiscal year 2021, for purposes of determining weighted membership under 16 V.S.A. § 4010, a district's equalized pupils shall in no case be less than 96 and one-half percent of the actual number of equalized pupils in the district in the previous year, prior to making any adjustment under this section, if the district, on or before July 1, 2019:

(1) became eligible to receive incentives pursuant to Sec. 6 or 7 of this act or otherwise voluntarily merged into an Education District as defined in Sec. 5(b) of this act; or

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

\* \* \* Yield; Dollar Equivalent \* \* \*

Sec. 26. 16 V.S.A. § 4001(13) is amended to read:

(13) "Base education amount" means a number used to calculate ~~tax~~ rates. ~~The base education amount is~~ categorical grants awarded under this title that is equal to \$6,800.00 per equalized pupil, adjusted as required under section 4011 of this title.

Sec. 27. 32 V.S.A. § 5401 is amended to read:

§ 5401. DEFINITIONS

\* \* \*

(13)(A) ~~“District~~ Education property tax spending adjustment” means the greater of: one or a fraction in which the numerator is the district’s education spending plus excess spending, per equalized pupil, for the school year; and the denominator is the ~~base education amount~~ property dollar equivalent yield for the school year, as defined in ~~16 V.S.A. § 4001~~ subdivision (15) of this section. ~~For a district that pays tuition to a public school or an approved independent school, or both, for all of its resident students in any year and which has decided by a majority vote of its school board to opt into this provision, the district spending adjustment shall be the average of the district spending adjustment calculated under this subdivision for the previous year and for the current year. Any district opting for a two-year average under this subdivision may not opt out of such treatment, and the averaging shall continue until the district no longer qualifies for such treatment.~~

(B) “Education income tax spending adjustment” means the greater of: one or a fraction in which the numerator is the district’s education spending plus excess spending, per equalized pupil, for the school year; and the denominator is the income dollar equivalent yield for the school year, as defined in subdivision (16) of this section.

\* \* \*

(15) “Property dollar equivalent yield” means the amount of spending per equalized pupil that would result if the homestead tax rate were \$1.00 per \$100.00 of equalized education property value, and the statutory reserves under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

(16) “Income dollar equivalent yield” means the amount of spending per equalized pupil that would result if the applicable percentage in subdivision 6066(a)(2) of this title were 2.0 percent, and the statutory reserves under 16 V.S.A. § 4026 and section 5402b of this title were maintained.

Sec. 28. 32 V.S.A. § 5402 is amended to read:

§ 5402. EDUCATION PROPERTY TAX LIABILITY

(a) A ~~Statewide~~ statewide education tax is imposed on all nonresidential and homestead property at the following rates:

(1) The tax rate for nonresidential property shall be \$1.59 per \$100.00.

(2) The tax rate for homestead property shall be ~~\$1.40~~ \$1.00 multiplied by the ~~district~~ education property tax spending adjustment for the municipality, per \$100.00, of equalized education property value as most recently determined under section 5405 of this title. The homestead property tax rate for each municipality which is a member of a union or unified union school district shall be calculated as required under subsection (e) of this section.

(b) The ~~Statewide~~ statewide education tax shall be calculated as follows:

(1) The Commissioner of Taxes shall determine for each municipality the education tax rates under subsection (a) of this section, divided by the municipality's most recent common level of appraisal. The legislative body in each municipality shall then bill each property taxpayer at the homestead or nonresidential rate determined by the Commissioner under this subdivision, multiplied by the education property tax grand list value of the property, properly classified as homestead or nonresidential property and without regard to any other tax classification of the property. Tax bills shall show the tax due and the calculation of the rate determined under subsection (a) of this section, divided by the municipality's most recent common level of appraisal, multiplied by the current grand list value of the property to be taxed.

(2) Taxes assessed under this section shall be assessed and collected in the same manner as taxes assessed under chapter 133 of this title with no tax classification other than as homestead or nonresidential property.

(3) If a district has not voted a budget by June 30, an interim homestead education tax shall be imposed at the base rate determined under subdivision (a)(2) of this section, divided by the municipality's most recent common level of appraisal, but without regard to any ~~district~~ spending adjustment under subdivision 5401(13) of this title. Within 30 days after a budget is adopted and the deadline for reconsideration has passed, the Commissioner shall determine

the municipality's homestead tax rate as required under subdivision (1) of this subsection.

\* \* \*

(d) A municipality which has upon its grand list an operating electric generating plant subject to the tax under chapter 213 of this title shall be subject to the nonresidential education property tax at three-quarters of the rate provided in subdivision (a)(1) of this section, as adjusted under section 5402b of this chapter; and shall be subject to the homestead education property tax at three-quarters of the base rate provided in subdivision (a)(2) of this section, as adjusted under section 5402b of this chapter, and multiplied by its ~~district~~ spending adjustment under subdivision 5401(13) of this title.

(e) The Commissioner of Taxes shall determine a homestead education tax rate for each municipality which is a member of a union or unified union school district as follows:

(1) For a municipality which is a member of a unified union school district, use the base rate determined under subdivision (a)(2) of this section and a ~~district~~ spending adjustment under subdivision 5401(13) of this title based upon the education spending per equalized pupil of the unified union.

(2) For a municipality which is a member of a union school district:

(A) Determine the municipal district homestead tax rate using the base rate determined under subdivision (a)(2) of this section and a ~~district~~ spending adjustment under subdivision 5401(13) of this title based on the

education spending per total equalized pupil in the municipality who attends a school other than the union school.

(B) Determine the union district homestead tax rate using the base rate determined under subdivision (a)(2) of this section and a ~~district~~ spending adjustment under subdivision 5401(13) of this title based on the education spending per equalized pupil of the union school district.

\* \* \*

Sec. 29. 32 V.S.A. § 6066(a)(2) is amended to read:

(2) “Applicable percentage” in this section means two percent, multiplied by the ~~district~~ education income tax spending adjustment under subdivision 5401(13)(B) of this title for the property tax year which begins in the claim year for the municipality in which the homestead residence is located; ~~but in no event shall the applicable percentage be less than two percent.~~

Sec. 30. REVISION AUTHORITY

Notwithstanding 4 V.S.A. § 424, the Office of Legislative Council is authorized to change all instances in statute of the term “applicable percentage” to “income percentage” in 32 V.S.A. chapters 135 and 154.

Sec. 31. 16 V.S.A. § 4031 is amended to read:

§ 4031. UNORGANIZED TOWNS AND GORES

(a) For a municipality that, as of January 1, 2004, is an unorganized town or gore, its ~~district~~ education property tax spending adjustment under

32 V.S.A. § 5401(13) shall be one for purposes of determining the tax rate under 32 V.S.A. § 5402(a)(2).

(b) For purposes of a claim for property tax adjustment under 32 V.S.A. chapter 154 by a taxpayer in a municipality affected under this section, the applicable percentage shall not be multiplied by a spending adjustment under 32 V.S.A. § 5401(13).

Sec. 32. 32 V.S.A. § 5402b is amended to read:

§ 5402b. STATEWIDE EDUCATION TAX RATE ADJUSTMENTS

YIELDS; RECOMMENDATION OF THE COMMISSIONER

~~(a) Annually, by December 1, the Commissioner of Taxes shall recommend to the General Assembly, after consultation with the Agency of Education, the Secretary of Administration, and the Joint Fiscal Office, the following adjustments in the statewide education tax rates under subdivisions 5402(a)(1) and (2) of this title:~~

~~(1) If there is a projected balance in the Education Fund Budget Stabilization Reserve in excess of the five percent level authorized under 16 V.S.A. § 4026, the Commissioner shall recommend a reduction, for the following fiscal year only, in the statewide education tax rates which will retain the projected Education Fund Budget Stabilization Reserve at the five percent maximum level authorized and raise at least 34 percent of projected education spending from the tax on nonresidential property; and~~

~~(2) If there is a projected balance in the Education Fund Budget Stabilization Reserve of less than the three and one half percent level required under 16 V.S.A. § 4026, the Commissioner shall recommend an increase, for the following fiscal year only, in the statewide education tax rates which will retain the projected Education Fund Budget Stabilization Reserve at no less than the three and one half percent minimum level authorized under 16 V.S.A. § 4026, and raise at least 34 percent of projected education spending from the tax rate on nonresidential property.~~

~~(3) In any year following a year in which the nonresidential rate produced an amount of revenues insufficient to support 34 percent of education fund spending in the previous fiscal year, the Commissioner shall determine and recommend an adjustment in the nonresidential rate sufficient to raise at least 34 percent of projected education spending from the tax rate on nonresidential property.~~

~~(4) If in any year in which the nonresidential rate is less than the statewide average homestead rate, the Commissioner of Taxes shall determine the factors contributing to the deviation in the proportionality of the nonresidential and homestead rates and make a recommendation for adjusting statewide education tax rates accordingly.~~

~~(b) If the Commissioner makes a recommendation to the General Assembly to adjust the education tax rates under section 5402 of this title, the Commissioner shall also recommend a proportional adjustment to the~~

~~applicable percentage base for homestead income based adjustments under section 6066 of this title, but the applicable percentage base shall not be adjusted below 1.94 percent.~~

(a) Annually, no later than December 1, the Commissioner of Taxes, after consultation with the Secretary of Education, the Secretary of Administration, and the Joint Fiscal Office, shall calculate and recommend a property dollar equivalent yield, an income dollar equivalent yield, and a nonresidential property tax rate for the following fiscal year. In making these calculations, the Commissioner shall assume:

(1) the homestead base tax rate in subdivision 5402(a)(2) of this title is \$1.00 per \$100.00 of equalized education property value;

(2) the applicable percentage in subdivision 6066(a)(2) of this title is 2.0;

(3) the statutory reserves under 16 V.S.A. § 4026 and this section were maintained at five percent; and

(4) the percentage change in the median education tax bill applied to nonresidential property, the percentage change in the median education tax bill of homestead property, and the percentage change in the median education tax bill for taxpayers who claim an adjustment under subsection 6066(a) of this title are equal.

(b) For each fiscal year, the General Assembly shall set a property dollar equivalent yield and an income dollar equivalent yield, consistent with the definitions in this chapter.

\* \* \* Ballot Language; Per Equalized Pupil Spending \* \* \*

Sec. 33. 16 V.S.A. § 563 is amended to read:

§ 563. POWERS OF SCHOOL BOARDS; FORM OF VOTE ~~IF BUDGET EXCEEDS BENCHMARK AND DISTRICT SPENDING IS ABOVE AVERAGE~~

The school board of a school district, in addition to other duties and authority specifically assigned by law:

\* \* \*

(11)(A) Shall prepare and distribute annually a proposed budget for the next school year according to such major categories as may from time to time be prescribed by the Secretary.

~~(B) If the proposed budget contains education spending in excess of the Maximum Inflation Amount, and the district's education spending per equalized pupil in the fiscal year preceding the year for which the budget is proposed was in excess of the statewide average district education spending per equalized pupil in that same fiscal year, as determined by the Secretary, then in lieu of any other statutory or charter form of budget adoption or budget vote, the board shall present the budget to the voters by means of a divided~~

~~question, in the form of vote provided in subdivision (ii) of this subdivision~~

~~(11)(B):~~

~~(i) “Maximum Inflation Amount” in this section means:~~

~~(I) the statewide average district education spending per equalized pupil, as defined in subdivision 4001(6) of this title, in the fiscal year preceding the year for which the budget is proposed, as determined by the Secretary, multiplied by the New England Economic Project Cumulative Price Index percentage change, as of November 15 preceding distribution of the proposed budget, for state and local government purchases of goods and services for the fiscal year for which the budget is proposed, plus one percentage point; plus the district’s education spending per equalized pupil in the fiscal year preceding the year for which the budget is proposed, as determined by the Secretary;~~

~~(II) multiplied by the higher of the following amounts as determined by the Secretary: (aa) the district’s equalized pupil count in the fiscal year preceding the year for which the budget is proposed; or (bb) the district’s equalized pupil count in the fiscal year for which the budget is proposed.~~

~~(ii) The ballot shall be in the following form:~~

~~“The total proposed budget of \$\_\_\_\_\_ is the amount determined by the school board to be necessary to support the school district’s educational program. State law requires the vote on this budget to be divided because (i)~~

~~the school district's spending per pupil last year was more than the statewide average and (ii) this year's proposed budget is greater than last year's budget adjusted for inflation.~~

~~“Article #1 (School Budget):~~

~~Part A. Shall the voters of the school district authorize the school board to expend \$ \_\_\_\_\_/t, which is a portion of the amount the school board has determined to be necessary?~~

~~Part B. If Part A is approved by the voters, shall the voters of the school district also authorize the school board to expend \$ \_\_\_\_\_/t, which is the remainder of the amount the school board has determined to be necessary?”~~

[Repealed.]

\* \* \*

(D) The board shall present the budget to the voters by means of a ballot in the following form:

“Article #1 (School Budget):

Shall the voters of the school district approve the school board to expend \$ \_\_\_\_\_, which is the amount the school board has determined to be necessary for the ensuing fiscal year? It is estimated that this proposed budget, if approved, will result in education spending of \$ \_\_\_\_\_ per equalized pupil. This projected spending per equalized pupil is \_\_\_\_\_ % higher/lower than spending for the current year.

Sec. 34. REPEAL

16 V.S.A. § 4001(6)(A) (divided vote; exceptions to education spending) is repealed on July 1, 2015.

\* \* \* Fiscal Year 2016 Education Property Tax Rates, Applicable Percentage,  
and Base Education Amount \* \* \*

Sec. 35. FISCAL YEAR 2016 EDUCATION PROPERTY TAX RATES  
AND APPLICABLE PERCENTAGE

(a) For fiscal year 2016 only, the education property tax imposed under 32 V.S.A. § 5402(a) shall be reduced from the rates of \$1.59 and \$1.10 and shall instead be at the following rates:

(1) the tax rate for nonresidential property shall be \$1.535 per \$100.00; and

(2) the tax rate for homestead property shall be \$0.99 multiplied by the district spending adjustment for the municipality per \$100.00 of equalized property value as most recently determined under 32 V.S.A. § 5405.

(b) For claims filed in 2015 only, “applicable percentage” in 32 V.S.A. § 6066(a)(2) shall be reduced from 2.0 percent and instead shall be 1.80 percent multiplied by the fiscal year 2015 district spending adjustment for the municipality in which the homestead residence is located; but in no event shall the applicable percentage be less than 1.80 percent.

Sec. 36. FISCAL YEAR 2016 BASE EDUCATION AMOUNT

As provided in 16 V.S.A. § 4011(b), the base education amount for fiscal year 2016 shall be \$9,459.00.

\* \* \* Cost Containment; Allowable Growth in Education

Spending for Fiscal Years 2017 and 2018 \* \* \*

Sec. 37. ALLOWABLE GROWTH IN EDUCATION SPENDING FOR  
FISCAL YEARS 2017 AND 2018

(a) Notwithstanding any other provision of law, for fiscal years 2017 and 2018 only, “excess spending” under 32 V.S.A. § 5401(12) means the per-equalized-pupil amount of the district’s education spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be added from a Capital Construction Reserve Fund under 24 V.S.A. § 2804(b), that is in excess of the district’s per-equalized-pupil amount of education spending in the prior fiscal year, plus the district’s allowable growth.

(b) For fiscal years 2017 and 2018, the “allowable growth” for any individual school district is an amount equal to the actual amount of per-equalized-pupil education spending in the district in the prior fiscal year, multiplied by the district’s “allowable growth percentage.” A district’s “allowable growth percentage” means a percentage that results from the following equation: the highest per-equalized-pupil amount of the education spending in any district in the State in the prior fiscal year, divided by the actual amount of per-equalized-pupil education spending in the district in the

prior fiscal year, minus one, multiplied by five and one-half percent. For the purpose of the calculations made under this subsection, the term “education spending” refers to education spending as used to calculate excess spending under 16 V.S.A. § 4001(6), including all the adjustments under 16 V.S.A. § 4001(6)(B).

Sec. 38. TRANSITION

For fiscal years 2017 and 2018 only, if a district’s equalized pupils in fiscal year 2016 reflect an adjustment pursuant to 16 V.S.A. § 4010(f) that results in an equalized pupil count that is 110 percent or greater than the actual equalized pupil count for that year, then notwithstanding any other provision of law, the district’s spending adjustment under 32 V.S.A. § 5401(13) shall be calculated without any addition for excess spending.

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

Sec. 39. 16 V.S.A. § 261a(c) is added to read:

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

percentage shall be adjusted accordingly in the next fiscal year for which tax rates will be calculated. The districts' actual tax rates shall be increased by five percent, and the household income percentage adjusted, in each subsequent fiscal year until the fiscal year following the one in which the Secretary determines that the supervisory union and its districts are in compliance. If the Secretary determines that the failure to comply with the provisions of subsection (a) of this section is solely the result of the actions of the board of one member district, then the tax increase in this subsection (c) shall apply only to the tax rates for that district. Subject to Vermont Rule of Civil Procedure 75, the Secretary's determination shall be final.

\* \* \* Quality Assurance; Accountability; Fiscal Year 2020 \* \* \*

Sec. 40. 16 V.S.A. § 165(b)(1)–(4) are amended and subdivision (5) is added to read:

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

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

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

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

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

\* \* \* Facilitating Voluntary Governance Transitions;

Supervisory Union Boundaries \* \* \*

Sec. 41. 16 V.S.A. § 261 is amended to read:

§ 261. ORGANIZATION AND ADJUSTMENT OF SUPERVISORY

UNIONS

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

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

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

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

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

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

\* \* \* Supervisory Unions; Local Education Agency \* \* \*

Sec. 42. 16 V.S.A. § 43(c) is amended to read:

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

\* \* \* Transition of Employees \* \* \*

Sec. 43. 16 V.S.A. chapter 53, subchapter 3 is added to read:

Subchapter 3. Transition of Employees

§ 1801. DEFINITIONS

As used in this subchapter:

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

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

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

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

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

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

§ 1802. TRANSITION OF EMPLOYEES TO NEWLY CREATED

EMPLOYER

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

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

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

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

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

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

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

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

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

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

§ 1803. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

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

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

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

\* \* \* Unified Union School District; Definition \* \* \*

Sec. 44. 16 V.S.A. § 722 is amended to read:

§ 722. UNIFIED UNION DISTRICTS

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

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

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

(3) paying tuition for all grades.

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

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

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

\* \* \* Designation of Secondary Schools \* \* \*

Sec. 45. 16 V.S.A. § 827 is amended to read:

§ 827. DESIGNATION OF A PUBLIC HIGH SCHOOL OR AN

APPROVED INDEPENDENT HIGH SCHOOL AS THE ~~SOLE~~  
PUBLIC HIGH SCHOOL OF A SCHOOL DISTRICT

(a) A school district not maintaining an approved public high school may vote on such terms or conditions as it deems appropriate, to designate ~~an~~ three or fewer approved independent ~~school or a~~ or public ~~school~~ high schools as the public high school or schools of the district.

(b) Except as otherwise provided in this section, if the board of trustees or the school board of ~~the~~ a designated school votes to accept this designation, the school shall be regarded as a public school for tuition purposes under subsection 824(b) of this title, and the sending school district shall pay tuition

only to that school only, and to any other school designated under this section,  
until such time as the sending school district or the designated school votes to  
rescind the designation.

(c) A parent or legal guardian who is dissatisfied with the instruction  
provided at ~~the~~ a designated school or who cannot obtain for his or her child  
the kind of course or instruction desired there, or whose child can be better  
accommodated in an approved independent or public high school nearer his or  
her home during the next academic year, may request on or before April 15  
that the school board pay tuition to another approved independent or public  
high school selected by the parent or guardian.

(d) The school board may pay tuition to another approved high school as  
requested by the parent or legal guardian if in its judgment that will best serve  
the interests of the student. Its decision shall be final in regard to the  
institution the student may attend. If the board approves the parent's request,  
the board shall pay tuition for the student in an amount not to exceed the  
least of:

(1) The statewide average announced tuition of Vermont union high  
schools.

(2) The per-pupil tuition the district pays to the designated school in the  
year in which the student is enrolled in the nondesignated school. If the district  
has designated more than one school pursuant to this section, then it shall be  
the lowest per-pupil tuition paid to a designated school.

(3) The tuition charged by the approved nondesignated school in the year in which the student is enrolled.

\* \* \*

\* \* \* Reports \* \* \*

Sec. 46. SPECIAL EDUCATION; FUNDING; AVERAGE DAILY  
MEMBERSHIP; STUDY AND PROPOSAL

On or before January 15, 2016, the Secretary of Education shall develop and present to the House and Senate Committees on Education a proposal for an alternative funding model for the provision of special education services in Vermont. In developing the proposal, the Secretary shall

(1) consult with experts in the provision or funding of special education services;

(2) consider the report regarding the use of paraprofessionals to provide special education services required by the General Assembly pursuant to 2014 Acts and Resolves No. 95, Sec. 79a;

(3) consider ways in which some portion of State funds for special education services could be provided to school districts or supervisory unions based on average daily membership; and

(4) consider ways in which the proposal could also help to reduce administrative responsibilities at the local level and increase flexibility in the provision of services.

Sec. 47. PRINCIPALS AND SUPERINTENDENTS; STUDY AND  
PROPOSAL

On or before January 15, 2016, the Secretary of Education, in consultation with the Vermont Superintendents Association, the Vermont School Boards Association, and the Vermont Principals' Association, shall develop and present to the House and Senate Committees on Education a proposal to clarify the roles of superintendents as systems managers and principals as instructional leaders. The proposal shall also address superintendents' and principals' relative responsibilities of supervision and evaluation.

Sec. 48. YEAR USED TO CALCULATE PROPERTY TAX  
ADJUSTMENTS

On or before January 15, 2016, the Commissioner of Taxes shall report to the General Assembly on the steps that would be required to transition to calculation of the property tax adjustments under 32 V.S.A. chapter 154 on a current year basis. As used in this section, "a current year basis" means using the current year's homestead adjusted tax rates, the current year's assessed property values, and the taxable income from the prior calendar year to calculate a property tax adjustment filed in the current claim year. In preparing the report, the Commissioner shall consult with the Vermont Association of Listers and Assessors, the Vermont League of Cities and Towns, and any other interested stakeholders identified by the Commissioner.

Sec. 49. 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;

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

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

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

Sec. 50. ADEQUACY FUNDING; STUDY

(a) Adequacy funding study. On or before July 15, 2015, the Joint Fiscal Office, in consultation with the President Pro Tempore of the Senate, the Speaker of the House, and the Chairs of the House and Senate Committees on Education, shall develop a request for proposals to conduct a study of the implementation of an adequacy-based education funding system in the State, including a recommendation on the determination of adequacy. The Joint Fiscal Office shall select and enter into a contract with a consultant from among those submitting proposals.

(1) The recommendation for the adequacy determination shall be based on the educational standards adopted under Vermont law, including adherence to Brigham v. Vermont, 166 Vt. 246 (1997), and the promotion of substantial equality of educational opportunity for all Vermont students. The determination shall consider all sources of spending related to education, including spending that is currently characterized as categorical grants, but not including capital expenditures. The determination shall be reached using one

of the following four methods: the evidence-based model, the professional judgment model, the successful schools model, or the cost function model.

(2) The consultant shall incorporate the following into the study:

(A) a review of the existing studies of Vermont's education finance system since the enactment of 1998 Acts and Resolves No. 60 and 2004 Acts and Resolves No. 68;

(B) a review of the existing data collected by the Agency of Education and the Department of Taxes related to the Vermont education finance system under Act 60 and Act 68; and

(C) a review of adequacy funding systems in comparable states with an emphasis on states in New England and states committed to equity.

(b) Interested stakeholders. The consultant selected shall carry out public participation activities with interested stakeholders as part of its study.

(c) Report. On or before January 15, 2016, the consultant shall submit a report to the General Assembly on the study required by this section.

(d) Technical assistance. The Agency of Education, the Department of Taxes, the Joint Fiscal Office, and the Office of Legislative Council shall assist the consultant with gathering data required for the study.

(e) Funding. Notwithstanding any provision of 16 V.S.A. § 4025(d) to the contrary and prior to any reversions, of the amount appropriated in fiscal year 2015 pursuant to 2014 Acts and Resolves No. 179, Sec. B.505, the sum of up

to \$300,000.00 shall be transferred to the Joint Fiscal Office for use in fiscal year 2016 for the purposes of this section.

Sec. 51. EDUCATION SPENDING: HEALTH CARE COSTS

(a) The General Assembly finds:

(1) Health care expenses are a major cause of increases in school budgets and education property taxes.

(2) Until the State solves the problems associated with the cost of health care, it will be increasingly difficult for school districts to contain education spending and education property taxes.

(b) On or before November 1, 2015, as part of the study to identify options and considerations for providing health care coverage to all public employees, the Director of Health Care Reform in the Agency of Administration shall report to the Health Reform Oversight Committee, the House and Senate Committees on Education, the House Committee on Health Care, and the Senate Committee on Health and Welfare with options for:

(1) the design of health benefits for school employees that will not trigger the excise tax on high-cost, employer-sponsored insurance plans pursuant to 26 U.S.C. § 4980I; and

(2) ways to administer the school employees' health benefits, including possibly through the Vermont Education Health Initiative (VEHI), Vermont Health Connect (VHC), or through another applicable mechanism.

(c) When identifying and analyzing the options required by subsection (b) of this section, the Director shall consult with representatives of the Vermont – National Education Association, the Vermont School Boards’ Association, VEHL, VHC, the Office of the Treasurer, and the Joint Fiscal Office.

\* \* \* Effective Dates \* \* \*

Sec. 52. EFFECTIVE DATES

(a) This section (effective dates) and Secs. 1 through 11 shall take effect on passage.

(b) Sec. 12 (limited service exempt position) shall take effect on July 1, 2015.

(c) Secs. 13 through 19 shall take effect on passage.

(d) Sec 20 (small school support) shall take effect on July 1, 2019, and shall apply to grants made in fiscal year 2020 and after.

(e) Sec. 21 (small school support; metrics) shall take effect on July 1, 2015.

(f) Secs. 22 and 23 (declining enrollment; hold-harmless provision; transition) shall take effect on July 1, 2016.

(g) Secs. 24 and 25 (declining enrollment; hold-harmless provision; repeal; exception) shall take effect on July 1, 2020.

(h) Secs. 26 through 32 (yield; dollar equivalent) shall take effect on July 1, 2015, and shall apply to fiscal year 2017 and after.

(i) Secs. 33 and 34 (ballot language; per equalized pupil spending) shall take effect on July 1, 2015.

(j) Secs. 35 and 36 (fiscal year 2016; tax rates; base education amount) shall take effect on July 1, 2015, and shall apply to fiscal year 2016.

(k) Secs. 37 and 38 (cost containment; education spending; allowable growth) shall take effect on July 1, 2015, and shall apply to fiscal years 2017 and 2018.

(l) Sec. 39 (supervisory union duties; failure to comply; tax rates) shall take effect on July 1, 2016; provided, however, that tax rates shall not be increased pursuant to this section prior to fiscal year 2018.

(m) Sec. 40 (authorities of State Board of Education) shall take effect on July 1, 2020.

(n) Sec. 41 (supervisory union boundaries) shall take effect on passage.

(o) Sec. 42 (supervisory unions; local education agency) shall take effect on July 1, 2016.

(p) Sec. 43 (transition of employees) shall take effect on passage and shall apply to a New District or New SU that has its first day of operation on or after that date; provided, however, that this section shall not apply to the transition of employees to the new joint contract school scheduled to be operated by the Pomfret and Bridgewater school districts beginning in the 2015–2016 academic year.

(q) Sec. 44 (unified union school district; definition) shall take effect on passage.

(r) Sec. 45 (designation) shall take effect on July 1, 2015.

(s) Secs. 46 through 51 (reports) shall take effect on passage.

Date Governor signed bill: June 2, 2015