

# Education Legislative Report

March 31, 2014 – Issue #8

## ***House Education Committee Unanimously Passes Governance Bill***

After taking testimony and working on their bill for more than six weeks, on Friday, March 21<sup>st</sup>, the House Education Committee voted 10-0-1 to pass H.883, An Act Relating to Expanded Prekindergarten – Grade 12 School Districts.

The components of the bill include:

- 1) Effective July 1, 2020, supervisory unions would cease to exist in favor of PreK-12 “expanded districts” governed by a single board and operating with a single budget.
- 2) Expanded districts would be formulated with an eye toward recognizing historic relationships among communities, existing connections between school districts, and geographical obstacles.
- 3) Expanded districts would be designed to achieve a set of educational and community-based outcomes focused on, among other things, maximizing resources to enhance student learning, fostering stable leadership, promoting budget stability and mitigating property tax volatility.
- 4) Each school would have a council designed to build partnerships among families, staff and the community. Specifics regarding the makeup, role and manner of selection of council members are left to local communities to decide in their articles of agreement.
- 5) The minimum size standards for eligible expanded districts would correspond generally with the size and configuration standards currently in place under the Act 153 RED formation guidelines – serving 1,250 students or four pre-existing districts.
- 6) Waivers could be sought to the minimum standards if educational and community-based goals are met. However, the systems must be PreK-12 single districts.
- 7) Existing school districts would have until mid-2017 to self-determine their alignment in a new (or currently existing) expanded district. However, districts would have to receive preliminary approval from the State Board in order to move forward with a specific configuration – this step is designed to ensure districts do not become stranded throughout the voluntary period.
- 8) The bill would create a legal/fiscal research group to examine potential equity issues, school choice implications, tax rate implications, municipal ownership,

issues specific to incorporated districts, employment contracts and voting/representation issues associated with new single district board configurations. The group would make recommendations for action to the General Assembly and would guide districts as they address these issues in their articles of agreement. This work would be completed by January 2015 in order to address relevant issues and "clear the path" to creation of expanded districts.

- 9) Through 2017, the process for forming into new expanded districts generally would conform to the existing process for establishing unified union school districts. Communities that voluntarily merge will have the ability to draft their own merger plan and articles of agreement. Those articles can specify how the new district will treat a range of issues, including town representation on the new board, closure of schools, and school choice. The articles must comply with Vermont statutes and conform to any legal guidance issued by the legal/fiscal research group, but otherwise there is substantial opportunity for local determination on these issues.
- 10) The bill would create a design team of individuals who are geographically representative, have a broad range of knowledge of and experience in the Vermont education system and in Vermont communities, and represent diverse points of view and interests. This design team would monitor progress of voluntary mergers from 2014 to mid-2017; conduct community engagement activities in regions where newly proposed expanded districts were not taking shape; and develop the criteria, process and overall plan to assign or create new expanded districts where districts had not self-assigned during the 2014 to 2017 period.
- 11) The bill would require the design team to submit their statewide plan to the State Board of Education for approval through the rulemaking process so that as of July 2020, all districts in the state would be realigned into some number of PreK-12 school districts.
- 12) The bill includes a \$4 million appropriation to provide technical assistance to districts, support staffing for the AOE, State Board and design team, reimburse up to \$20K in fees incurred by groups of districts during voluntary alignment and provide \$50K in grants to expanded districts to cover transitional costs.
- 13) The bill creates "innovation waivers" from statute or SBE rule that inhibit innovation in expanding student opportunities.

For a more in-depth summary of H.883, read our bill summary [here](#).

Since the committee passed the bill, the State Board of Education and the Vermont Principals' Association have passed resolutions expressing strong support. The House

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Ways and Means Committee is taking testimony on H.883 this week. If it votes to approve the bill, it will then go to the House Appropriations Committee before it goes to the floor for a full House vote.

### ***Ways and Means Committee Approves Property Tax Bill***

The House Ways and Means Committee voted 10-1-0 in favor of H.889, which sets the property tax rates and base education amount for fiscal year 2015. The bill, which is introduced by the committee annually, this year also includes a variety of changes to education financing laws and states the General Assembly's intent to transition to an education financing system that relies less on property taxes and more on an education income tax.

H.889 sets the **base homestead rate** at \$0.98 per \$100 of equalized property value, up four cents from fiscal year 2014. This base rate is adjusted by district based on local spending; the average rate statewide will be \$1.49, up eight cents (or 5.7 %) from 2014. The **nonresidential rate** is set at \$1.515 per \$100, up seven-and-a-half cents (or 5.2 %) from 2014. This rate is uniform statewide and is not adjusted based on local spending. The **base income sensitivity rate**—paid by homeowners with household incomes under \$90,000—is set at 1.90 %, up from 1.80 % in each of the last six years. As with the homestead rate, this percentage is adjusted by district based on local spending; the average rate statewide will be 2.89 %, up from 2.7 % in 2014, a 7 % increase. The **base education amount** is set, according to its statutory inflationary formula, at \$9,382, up 2.5 % from last year.

Some of the other changes the bill makes:

- *Income Sensitivity.* Raises the statutory floor, beginning in FY16, from 1.8% of income to 1.94% of income. Also extends the income sensitivity “slope” by increasing (from \$200,000 to \$250,000) the housesite value for which households with incomes over \$90,000 can pay their education tax based on income. Also reduces the maximum property tax adjustment from \$8,000 to \$6,000, except for those households with at least one owner aged 65 or older.
- *Budget Vote.* Requires all school budgets, when put to a vote, to include (in addition to the total budget) figures for education spending per pupil and the percentage change in education spending per pupil from the prior year.
- *Fast-Growth.* Beginning in FY16, repeals the fast-growth provision that allows larger districts with quickly growing student populations to count more of the

new students in their long-term membership calculation than they otherwise would with a two-year average.

- *Small Schools.* Phases out small school supports grants—which effectively reduce the tax rate in 110 districts with either fewer than 100 students or 20 students per grade—over the course of three years, beginning in FY19. Currently eligible schools would receive two-thirds of their grant in that year; one-third in FY20; and no grant in FY21 and beyond. This change would *not* apply to districts deemed small due to geographic necessity.
- *Excess Spending.* Ties the excess spending threshold to average education spending per equalized pupil in FY14 increased each year by inflation, instead of to the average spending in the prior year. If districts' spending per pupil continues to increase faster than inflation, over time this will substantially lower the excess spending threshold, which would continue to function in the same way: districts that spend over the threshold are double-taxed on the amount by which they go over.
- *Renter Rebate.* Weakens the benefit of the renter rebate program by reducing the allocable rent percentage from 21% to 19%. Also directs the Vermont Housing Council to make recommendations on how to develop a program or programs to assist renters in lieu of the renter rebate program.
- *GF Surplus.* Designates one-third of any General Fund surplus in each year to go to the Education Fund and one-third to go toward paying retired teacher health care obligations.
- *Tuition.* Directs the Agency of Education to study the current system setting, paying, and receiving school tuition in Vermont and to report to the General Assembly with findings next January.
- *Education Income Tax.* States the General Assembly's intent to transition to a system for financing education in Vermont that incorporates an education income tax. The system would have a flat, statewide homestead property tax, significantly lower than the current one; a statewide nonresidential property tax, as under the current system; and an education income tax that would be adjusted based on local spending. The stated intent is for the system to be developed in 2015 and 2016, go into effect in 2017, and raise money for schools beginning in FY18.

The bill has been referred to the House Appropriations Committee for review. If approved by that committee and then on the House floor, it would be sent to the Senate Finance Committee, where senators are spending much of this week taking testimony on property taxes, education finance and governance, and projected spending in the years to come.

### ***Miscellaneous Education Bill Passes the House***

Last Wednesday, the House approved H.876, the miscellaneous education bill. The bill contains provisions designed to update Title 16 in response to the newly-adopted Education Quality Standards (State Board Rule 2000) – primarily changing the term “school quality standards” to “education quality standards.” It also facilitates the expansion of out-of-state online postsecondary program offerings in Vermont by exempting certain out-of-state online postsecondary programs from the requirements of 16 V.S.A. §176a and allowing the State of Vermont to participate in interstate reciprocity agreements for the purpose of authorizing online postsecondary programs.

The bill also makes (mostly technical) changes to the provisions of Title 16 that apply to career technical education centers. A CTE program of study is newly defined: “At a minimum, a program of study: incorporates and aligns secondary and postsecondary education; includes academic and CTE content in a coordinated, non-duplicative progression of courses; offers the opportunity, when appropriate, for secondary students to obtain postsecondary credit; and leads to an industry-recognized credential or certificate at the post-secondary level or to an associate or baccalaureate degree.”

The bill also makes some changes to 16 V.S.A. §2902 related to educational support systems, replacing the term “educational support system” with “tiered system of supports,” and making changes to the types of supports that must be “available to any student who requires support beyond what can be provided in the general education classroom, and intensive, individualized interventions for any student requiring a higher level of support.”

Also, the bill makes changes to the definition of residency in 16 V.S.A. §1075 to cover situations where a minor is in the custody of a “pre-adoptive family” appointed by a Vermont court or a court of competent jurisdiction in another state, territory, or country. In those situations, legal residence is where the pre-adoptive family resides.

During the floor debate, the House rejected a number of proposals for amendment, including one that would allow dual enrollment funding for privately-funded independent school students and another that would require voting on supervisory

union budgets. An amendment relating to independent school students participating in extracurricular activities at public schools was withdrawn on the floor.

One amendment that did pass relates to audits. Under current law, an SU board is responsible for ensuring that the SU's and member districts' financial statements are audited annually. The amendment would require an annual audit of the SU's financial statements but the member districts would be audited just once every three years. The bill will be referred to the Senate Education Committee; they will take testimony on the bill this week.

### ***Senate Passes Enrollment Bill***

On March 21, the Senate passed S. 175, an act relating to permitting a student to remain enrolled in a Vermont public school after moving to a new school district. The bill adds a provision to 16 V.S.A. §1093 that allows students who are legal residents of a school district through the annual ADM census period to stay in the original district for the remainder of the school year even if they move to another school district with the intention to remain there indefinitely.

The bill requires that the student, the student's parent or legal guardian if the student is a minor, and representatives of both school districts meet to discuss the educational advantages and disadvantages of the student remaining in the original district. After that meeting, the student or the student's parent or guardian may choose to remain enrolled in the school maintained by the original district for the remainder of the school year by notifying both school districts of the decision to do so.

As passed, there remain some unresolved issues regarding payment for and provision of special education and transportation services. The bill has been referred to the House Committee on Education.

### ***Senate Focuses on Collective Bargaining and Health Care Reform***

Last week, the Senate Finance Committee and the Economic Development, Housing & General Affairs Committee took testimony from witnesses on the impacts of health care reform on collective bargaining and public employees. Vermont-NEA testified in support of moving towards a single-payer system, but stated that their support anticipates that the plan offered through Green Mountain Care will be as generous as the ones public employees currently have. Senators on both committees expressed reservations about the ability to afford such a generous benefit for all Vermonters.

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Vermont-NEA acknowledged that might be the case and suggested that employees would then bargain with their employers for supplemental coverage or to cover any increased out-of-pocket costs employees might see as a result of the transition. The union suggested that employees should be able to keep what they have during the transition to Green Mountain Care and be insulated from economic loss that may result from the change.

The Vermont School Boards Association testified that uncertainty around the launch date, financing plan, and coverage options in the single-payer system makes it difficult for the parties to move forward at this time. The VSBA suggested the legislature must grapple with the question: what is the appropriate cost share for appropriate coverage for public employees. That is, should public employees be insulated from sharing in the cost of their own health coverage or not? If public employees ought to pay the same towards their health care benefits as every other Vermonter, then the conversation at the bargaining table will shift from health care cost share to total compensation.

Also last week, the Senate passed S.252, an act relating to financing for green mountain care. One section of the bill directs the Secretary of Education and the Commissioner of Human Resources to consult with a number of parties, including the Vermont-NEA, the VSBA and the Vermont League of Cities and Towns, to develop a plan to transition public employees on to Green Mountain Care or “another common risk pool.” The section also directs the Secretary and Commissioner “to address the role of collective bargaining on the transition process and shall propose methods to mitigate the impact of the transition on employees’ health care coverage and on their total compensation.”

The House Health Care Committee will begin taking testimony on S.252 this week.

### ***Education-Related Bills***

[This document](#) summarizes all education-related bills that have been introduced by one or more members of the Legislature as of March 31, 2014. To read any bill’s full text or see its status in the legislative process, go here:

<http://www.leg.state.vt.us/database/status/status.cfm>.