

# Education Legislative Report

March 16, 2016 – Issue #6

## **House Education Committee Completes Rate Bill**

On Friday, the House Committee on Education completed the work begun by the House Committee on Ways & Means. [H.853](#), commonly referred to as the “rate bill” sets the FY 2017 non-residential tax rate and the income and property dollar equivalent yields:

Non-residential property base rate    \$1.53

Dollar equivalent yield on property    \$9,701

Dollar equivalent yield on income    \$10,870.

These rates and yields rely on the use of \$19.7 million in surplus fund revenue that accumulated over two years. Local districts appeared to rely on substantial amounts of fund balance in their FY 2017 budgets in order to stay below their allowable growth thresholds. The amount of surplus funds used at the local level could approach \$17 million. If the General Assembly uses the entire \$19.7 million in surplus funds to inflate the yield, then over \$35 million in one-time funds will have been used to cover operating expenses that will need to be made up next year.

The rate bill also contains two finance proposals for further study. The first, introduced this year as [H.656](#), would move the education tax from a tax on property to an income tax for all payers. The second is a proposal, introduced as [H.846](#), that would make significant changes to the education funding formula, designed to incentivize less than average education spending per pupil and to create a higher tax burden in districts with greater than average education spending per pupil. H.853 directs the Joint Fiscal Office to research the implementation of each proposal and present findings to the 2017 General Assembly for consideration.

H.853 also contains a provision intended to reduce the number of unfunded mandates that the General Assembly passes on to school districts. Sections 4 - 6 of the bill dictate that any legislation enacted into law that will have an associated direct cost to schools will be analyzed by the Joint Fiscal Office and the Emergency Board to estimate the cost to districts. That cost will be included in the Governor’s proposed budget for the following fiscal year. The money to fund the mandate would then become a part of the General Fund transfer to the Education Fund. Although the funds would eventually reach school districts, there would be at least a one-year lag in which the obligations of a newly enacted education law would fall on districts.

Section 7 of the rate bill includes a provision that allows study committees to provide for the transfer of debt from the school district to the town in the Articles of Agreement that are developed as part of the union school district formation process.

Finally, H.853 directs the Agency of Education to report, in addition to information it already collects, data on local budget surplus, reserve fund amounts, and the purpose and use of reserve funds.

The bill will be considered by the full House on Wednesday, March 16.

### ***Special Education Bill Changes Reimbursement System; Creates Pilot Program***

On Thursday, March 10, the House Education Committee approved [H.859](#), on a vote of 8-2-1. The bill impacts special education services in two ways. First, it changes the law to require that special education funds be disbursed from the State to the entity that incurs the special education cost – in most cases that will be the supervisory union. Current law requires funds to be disbursed to school districts. Since Act 153 of 2010 requires special education services be provided by the supervisory unions, concerns have been raised about the inefficiency of a system that disburses funds to school districts. The changes made in H.859 recognize that some special education costs continue to be incurred at the school district level; namely, the cost of some para-educators. The bill allows districts to continue to receive special education funds in those circumstances.

The bill also makes funds available for up to 10 supervisory unions, supervisory districts or unified union districts to participate in a study of more efficient uses of staff for special education delivery. The districts or supervisory unions who enroll in the pilot program will work with District Management Council, a firm that has consulted with several Vermont systems to create better models for special education delivery. The participating districts will be required to match 50 percent of the cost of the consultancy over two fiscal years; the bill includes an appropriation to cover the cost of the other 50 percent.

Also included in the bill is funding for a new position at the Agency of Education to work with researchers at the University of Vermont and others to consider an updated method of allocating special education funds in Vermont. The group is charged with studying several alternatives to the current method of allocating special education funds, including a possible census block model of funding. A census-based model would grant special education resources based on the total student enrollment of the district or supervisory union. The study would evaluate the advantages and disadvantages and educational policy considerations related to using total enrollment as a basis for funding. The report will be made to the education committees in December of 2017.

H.859 was referred to the Appropriations committee and will likely go to the House floor next week.

### ***Senate Education Committee Passes Higher Education Funding Bill***

Prior to Town Meeting Day, the Senate Education committee finished work on a bill that increases the resources available to the Vermont higher education system. It also funds a grant to increase the number of young Vermont men enrolled in the State Colleges.

[S.180](#) requires that the General Fund transfer to the Vermont State Colleges, The University of Vermont and the Vermont Student Assistance Corporation increase by the same amount per year as the transfer to the Education Fund. It also proposes to appropriate funds from the Next Generation Initiative Fund to the State Colleges in order to evaluate ways the State Colleges can grant college credit for vocational training, such as the plumbing and electrical trades. The State Colleges must report to the Senate and House Education committees in January of 2017.

Finally, S.180 provides funds to two programs intended to increase post-secondary enrollment and completion rates among Vermont students. The Man Up program would allow Vermont males between ages 18 and 25 to receive up to three college courses free of charge if they meet the criteria of the program. A proposed appropriation of \$103,000 is granted to allow the Man Up Program to continue for one year.

The second program is the Complete College Program, which was proposed by the Governor in his State of the State address. The program is intended to expand recruitment and support of first generation college students into the State Colleges and UVM. The colleges and university will receive \$800 for each class that an eligible student remains enrolled in for more than 30 days. The funds are to be used to recruit and support students who are Pell Grant eligible, and whose parents do not have a college degree.

The Senate Committee on Appropriations will undertake review of S.180 this week.

### ***House Judiciary Committee Will Begin Marijuana Hearings This Week***

The Senate passed [S.241](#) on February 25 by a vote of 17 to 12. The bill is now before the House Judiciary Committee. Hearings in that committee began Wednesday, March 16.

The bill as passed by the Senate would allow a Vermont resident to purchase up to a half-ounce of marijuana, and others to purchase up to a quarter-ounce. Retail establishments could begin applying for licenses in June of 2017, with the first day of legalized sale of marijuana to be January 2, 2018. The bill creates a marijuana excise tax of 25% of retail price, with revenue from the taxation of marijuana going to a new Marijuana Regulation and Resource Fund administered by the Agency of Administration. It will administer the funds to support substance abuse treatment and prevention. The bill also prohibits any person from manufacturing concentrated marijuana by chemical extraction, which is the process required for making edible marijuana products. It directs the Marijuana Review Board to study whether Vermont should allow for edible marijuana products in the future.

As stated in previous *Legislative Reports*, several of our associations have adopted position statements or resolutions on the legalization of marijuana for recreational use. The VSBA, VSA, VPA and VCSEA communicated those documents to all House representatives Monday, March 7. You can read those statements here: [VSBA](#), [VSA](#), [VPA](#). \* The VCSEA has adopted a resolution endorsing the VSA resolution.

### ***H.529 Expands Relief from Repaying School Construction Aid***

The House has passed a bill that would exempt districts from the obligation to repay state aid for school construction. When a school building is sold, current law requires the district to repay a portion of the state construction aid it received. The percentage of state aid that funded the construction of the building is the same percentage that the district must refund to the state from the sale price.

Under H.529, all building sales would be exempt from the repayment provision until 2020. The bill is intended to provide more flexibility to districts seeking merger over the next four years under Act 46. The bill is not expected to greatly impact state funds for school construction aid, because these funds have not been available since 2007.