

Education Legislative Report

February 19, 2018 – Issue #4

Legislature Looks to Act on Significant Education Bills This Session

The General Assembly continues its work on a number of substantial education bills, including changes to the education funding formula, special education funding and delivery, pre-K funding and administration, and several other significant but less prominent bills.

As leaders of your school systems, you serve as a voice for public education. As your state associations, we work to strongly represent education officials' concerns. That stated, there is no substitute for contact by constituents with their legislators. We encourage you to read our *Reports*, keep abreast of issues, and stay in touch with your house members and senators. Here is a link to Legislators' contact information, organized by supervisory union/district:

http://docs.wixstatic.com/ugd/b44bfd_c9e309b3f77449bda14c5f3cf152c469.pdf

Throughout the session, you will receive regular issues of this *Education Legislative Report*. The *Report* is a collaboration of the Vermont School Boards Association (VSBA), the Vermont Superintendents Association (VSA), the Vermont Principals' Association (VPA), the Vermont Association of School Business Officials (VASBO), the Vermont Council of Special Education Administrators (VCSEA) and Vermont School Boards Insurance Trust (VSBIT).

If you have questions regarding the content, contact your Association's executive director or Katherine Hope, Legislative Analyst for the Education Legislative Collaborative and author of the *Report* at kwhope@gmail.com.

Inside this Report

<i>Proposed Changes to Ed Fund Formula.....</i>	<i>2</i>
<i>Special Education Bill.....</i>	<i>4</i>
<i>Pre-K Bill.....</i>	<i>5</i>
<i>Independent Schools Bill.....</i>	<i>6</i>
<i>Mandatory Radon Testing.....</i>	<i>6</i>
<i>Minimum Wage Passes Senate.....</i>	<i>7</i>
<i>Open Meeting Law Changes.....</i>	<i>7</i>

House Ways & Means Seeks Input on Change Education Funding Formula

The House Ways and Means Committee has scheduled a public hearing on its proposal to modify the funding system for public education in Vermont. **The hearing will take place from 4 pm to 6 pm on Wednesday, February 21st at the State House.** [Here is a link](#) to documents the Committee is hoping members of the public will review before attending the hearing.

The proposal to rewrite the education funding system comes amid concern about a projected 9.4 cent tax rate increase for FY 2019 and the Governor's call for no statewide tax increases. However, the 9.4 cent projection was based on an assumption that education spending would grow at a rate of 3.5%. The Agency of Education recently shared actual FY 19 proposed budget numbers, which indicate proposed education spending rising at just over 1% for FY 2019. The Agency attributed this small increase to efficiencies achieved through Act 46 mergers, use of reserve funds, and the responsiveness of school officials to calls for cost containment.

At this point, it is not clear how the proposed revisions to the funding formula would affect the sustainability and fairness of the system overall - and the effects that the changes would have on individual taxpayers across Vermont.

Our understanding is that the Ways and Means Committee expects to see modeling of the impact on school districts and taxpayers within those communities at some point this week. When that information becomes available we will distribute it; school boards should understand the effects of this proposal so they can weigh in with the General Assembly as they deem appropriate.

The Committee's proposal aims to reduce the reliance on residential property tax and shift to an income tax that better reflects ability to pay, more closely link school budgets to personal tax bills, simplify the system, provide for greater transparency and provide support for low-income Vermonters.

As currently drafted, the proposal would reduce the average statewide homestead education property tax rate from \$1.55 to \$0.82 by lowering the base homestead property tax rate to \$0.25, establishing a base spending amount of \$12,253 / equalized pupil, and raising the homestead property yield to \$5,600 for \$1.00 of taxation. The proposal would not change the calculation for the nonresidential property tax rate.

The proposal aims to simplify administration and compliance by replacing the property tax adjustment and income yield with a school income tax, replacing the homeowner

rebate with a homeowner exemption, and replacing the homeowner rebate on municipal property tax. The new, proposed education income tax would begin after income of \$47,000 and be structured as follows: AGI income of \$0 - \$47,000 is exempt, \$47,001 - \$125,000 taxed at 1.20%, and \$125,000 - \$4,000,000 taxed at 1.65%. Renters and out of state workers would be taxed in the form of wage withholding.

The proposal also eliminates the General Fund transfer to the Education Fund by dedicating 100% of the sales and use tax as well as 25% of the meals and rooms tax. The proposal would shift programs currently funded by the Education Fund to the General Fund, including Adult Education and Literacy, Flexible Pathways, Community High School of Vermont, and the Renter Rebate Program.

Our associations testified about the role school officials play as interpreters and intermediaries in communicating and explaining any changes to the funding formula. In general, we raised cautions about significantly changing the funding formula when budgets were developed in the context of the current system.

Ways & Means also heard testimony from Vermont League of Cities and Towns on concerns about the large percentage of property taxes going to education and the volatility of sales and income taxes; their testimony can be [found here](#).

House Education Continues Work on Special Education Bill

The House Education Committee continues to work on restructuring the funding mechanism for special education. In the past two weeks the Committee has reviewed multiple permutations of the bill, after hearing a great deal of testimony on an earlier version of the draft bill, version 7.1. The Committee hopes to vote the bill out this week.

The current draft bill can be [found here](#). The bill would shift special education funding from a reimbursement model to a census-based model beginning in FY21. The bill includes the findings from the District Management Group (“DMG”) report on supports for struggling students and summarizes the findings from the University of Vermont report on special education funding. As described in the bill, these two reports emphasize the importance of high quality instruction for all students who need additional support, while the UVM report outlines the shortcomings of the current reimbursement funding model. The draft bill also finds that students requiring additional support would be better served using the best practices outlined in the DMG report, and that the current reimbursement model is an impediment to implementing these best practices. The draft bill outlines its goals, emphasizing the importance of effectiveness, availability and equity of services for all students.

The draft bill would allow SUs/SDs that participated in the DMG pilot study to opt-in to continue their work as early implementers of the census-based model in FY20. The bill directs the AOE and State Board to work together to determine how to waive existing rules that apply to the reimbursement model for these SUs/SDs.

The draft bill would shift to a census-based educational support grant beginning in FY21 for all SUs/SDs. In FY21 the amount of the grant would be based on the average amount an SU/SD received in FY17, FY18 and FY19 for their standard mainstream block grants, special education expenditure reimbursement and exceptional circumstances amount, adjusted for inflation. The State Board would determine a base amount beginning in 2025. For FY22, FY23 and FY24, the block grant will be determined by an SU's long-term membership and a base amount established by the State Board's rules. From FY21 to FY25, the base amount will shift from being connected to the SUs' specific base amount to a statewide base amount in FY25.

Changes will also be contemplated for the funding of extraordinary special education expenditures, although the Committee has not yet determined what those might be. As written, the bill would increase the threshold amount for extraordinary expenditures to \$70,000. The State Board would determine allowable education expenditures. One aspect of the bill that has caused concern among education professions is that any extraordinary expenditures would only be compensated for after all other available sources (as determined by the State Board) have been exhausted, including private insurance, Medicaid and insurance.

The draft bill also creates an Advisory Group, made up of education practitioners and professionals. The Advisory Group would make recommendations to the State Board on the shift to a census-based model. Additionally, the Advisory Group would make recommendations to the General Assembly on necessary statutory changes to facilitate implementation of the funding change. The Advisory Group would meet monthly beginning in September 2018 for eighteen months.

The draft bill also requires a weighting study by the AOE, which would determine weighted long-term membership of SUs/SDs. While the legislature required a weighting study last year, the AOE did not complete the work, citing lack of capacity to perform the analysis. This bill expands the scope of the study required last year to include a look at how the State Board of Education should account for increasing the amount of educational support grants paid by the State to supervisory unions in order to provide additional financial support to supervisory unions with relatively high costs due to the number of students who require additional support or the nature of the services required. It also includes a \$300,000 appropriation to fund the analysis.

Finally, the draft bill allows for consulting services to assist SUs in their transition to the new special education practices and funding. Additionally, the draft bill would add three positions at the AOE – one position for a special education attorney and two for programming in special education.

The Committee is expected to vote on a final version of the bill this week.

Education Committees Aim to Modify Pre-K Funding & Administration

Both the House and Senate Education Committees have continued to hear testimony from a diverse group of stakeholders on the proposed amendments to Act 166. The bill does not yet have a number, but it can be [found here](#).

The proposal, which originally came from the Agencies of Education and Human Services, would have the Agency of Education administering the pre-K program, rather than school districts. The Agency of Human Services would continue to license and oversee private providers, but the Agency of Education would pay for pre-K services to both public and private providers through vouchers. School districts would no longer be able to count prekindergarten students as part of their ADM, unless they are providing more than 10 hours a week of pre-K. Districts would receive a tuition amount from the state for each pre-K student served in a program operated by the district.

On Friday of last week the Senate Education Committee had scheduled a possible vote on the bill; however, concerns about the loss of pre-K ADM for school districts caused the Committee to seek more information from the Agency of Education on possible impacts on tax rates.

In addition to concerns about the loss of ADM, the Senate Committee heard testimony from public and private providers outlining other concerns, including a presumed lack of qualified early childhood educators, and diminishment of existing relationships established between public and private pre-K schools with the existing legislation.

The House Education Committee also heard testimony on the pre-K bill. It is not clear at this point which committee will take action on the bill, or what modifications may be made in response to the testimony provided. Nicole Mace of the VSBA testified on Friday that the proposal does not address concerns our associations raised about the implementation of Act 166. You can read her testimony [here](#).

Senate Education Committee Finalizing Independent Schools Bill

The Senate Education Committee is moving forward with a bill that would affect the process for approving independent schools, [S. 229](#). The proposed bill would require

approved independent schools to accept special education students when LEA's deem the approved independent school as the least restrictive environment. If an independent school is not approved in specific disability category, then the bill would require the LEA to provide sufficient staff to fulfill the IEP to the independent school for up to one year while the school seeks approval from the AOE.

The bill also includes stronger financial reporting requirements for independent schools.

The Committee has heard from a broad range of stakeholders on this bill. The Committee heard from the VCSEA and the VSBA on a variety of concerns; their testimony can be [found here](#) and [here](#).

Senate Education Considers Mandatory Radon Testing in Schools

The Senate Education Committee heard testimony from the American Lung Association (“ALA”) on [S. 279](#), the proposed bill mandating radon testing in schools. Previously the Committee expressed concern about another unfunded mandate on schools and the costs and logistics of any necessary mitigation. Despite those acknowledgements, the Committee has expressed an interest in passing radon testing legislation this session.

The bill currently under discussion is the second draft the Committee has reviewed this year, and it would require the Department of Health (“DOH”) to test 40 public or approved independent schools per year until all schools are tested. Schools would be able to request a test, and all schools would be tested at least once every fifteen years. The DOH would share the test results with the schools’ principals, who would then be tasked with sharing those results with “parents, guardians, students, school employees, school volunteers, the school board, and any community representatives regularly present at the school.”

In the bill, a five-member study committee would be created to explore sources of funding for mitigation. Members would consist of the State Treasurer, Secretary of Education and Health Commissioner (or their designees), and one member selected from VSBA and VSA. The study committee would present a report with viable funding sources for remediation to House and Senate Education Committees by December 15, 2018. Our associations will testify on the new version of the bill later this week.

Minimum Wage Bill Passes the Senate

The Senate passed its minimum wage bill, [S.40](#), which incrementally raises the minimum wage to \$15/hour as of January 1, 2024. This is a change from a previous draft, which would have mandated \$15/hour as early as January 1, 2022. The bill as

passed the Senate would incrementally increase the minimum wage as follows: \$11.10/hour as of January 1, 2019; \$11.75/hour as of January 1, 2020; \$12.50/hour as of January 1, 2021; \$13.25/hour as of January 1, 2022; \$14.10/hour as of January 1, 2023; and \$15.00/hour as of January 1, 2024.

The bill will now move to the House for further consideration.

House Government Operations Discusses Open Meeting & Public Records Changes

The House Government Operations Committee is divided about the proposed changes to the open meeting and public records legislation. Some Committee members felt strongly that the time is now to make open meetings more transparent, while other members think changes may be useful but this is not the session to do so. The proposed legislation can be [found here](#).

List of Education Bills Introduced this Session

Please follow [this link](#) to a comprehensive list of education-related bills currently in the General Assembly.