

### Financial Capacity:

The independent school community is interested in proactive approaches to ensuring ongoing financial capacity of independent schools to meet their stated objectives. The New England Association of Schools and Colleges (NEASC) is an accrediting agency which includes a rigorous financial review process. The Agency of Education and the State Board of Education have agreed that this rigorous review satisfies the need to ensure financial capacity. Current independent school approval rules accept accreditation to satisfy financial capacity and other requirements. The draft prepared by legislative council similarly accepts accreditation for this purpose.

Ninety-one percent of students attending independent schools (not including the therapeutic special education only schools) are attending schools accredited by NEASC. In FY15, 2435 of the 2685 publicly tuitioned students attend accredited independent schools. *In general*, those independent schools that are not currently accredited by NEASC or another accrediting entity fall into the following parameters:

- Waldorf and Montessori schools with enrollment of publicly tuitioned students of 5% or less;
- Smaller winter sports academies with enrollment of publicly tuitioned students of 5% or less;
- Vermont Academy of Science and Technology (VAST);
- Small independent schools with enrollments in the range of 4-66 students, with the percentage of publicly tuitioned students in the range of 6-54%;
- Small independent schools with enrollments in the range of 4-48 students, with no publicly tuitioned students currently.

The potential impact of financial insolvency of these non-accredited schools on the State and taxpayers is minimal. Accreditation is costly, and often a limiting factor for smaller independent schools. Creating a burdensome financial capacity test that small schools would find difficult or impossible to meet is a disproportionate response to the concern.

The independent school community has proposed an enhanced role for the Council of Independent Schools (CIS) to support these small schools in demonstrating financial solvency should they choose to accept publicly tuitioned students. The concept is to allow for a state level peer review process, similar to that performed by NEASC and other accrediting agencies, to verify financial solvency. While CIS is the statutory advisory body to the AOE, the Secretary has from time to time accessed CIS members for purposes of peer review type activities. CIS members are heads of independent schools, many of whom are NEASC Commissioners who conduct reviews of independent schools for accreditation purposes. We have the expertise and capacity here in Vermont to assist our small independent schools to achieve their goals. We should access that resource, and develop a peer review process that works for this subset of schools.

The financial capacity draft proposal prepared by legislative counsel strikes a good balance between meeting the needs of the State and our small independent schools. The independent schools offer some suggested revisions that broadly do the following:

- 1) Articulate six methods by which an independent school may demonstrate financial capacity and make submission of the documentation dispositive on the issue of financial capacity for purposes of

approval. The rationale here is that capacity is verified by those with expertise, such as an accrediting agency, CPA, or peer review/independent reviewer; or attested to by a board of trustees with a fiduciary obligation. These means of demonstrating capacity are sufficiently reliable, and do not require analysis or expertise by AOE or SBE.

2) Modify the criteria that should be used to determine when a school lacks financial capacity to meet its stated objectives.