

AGENCY OF EDUCATION
Barre, Vermont

TEAM: School Governance

ITEM: Will the State Board of Education approve the request of the **WINDSOR CENTRAL MODIFIED UNIFIED UNION SCHOOL DISTRICT (the MUUSD)** and the **PITTSFIELD SCHOOL DISTRICT (the PSD)** submitted under Act 49, Sec. 3 (2017) to:

1. Exempt the PSD from the requirements of Act 46, Sec. 9 (2015) and from the possibility of merger under the Statewide Plan pursuant to Act 46, Sec. 10; and
2. Continue the PSD's membership in the Windsor Central SU (WCSU)?

SECRETARY'S RECOMMENDED ACTION:

That the State Board:

1. **Take no action at this time to approve the request submitted under Act 49, Sec. 4 that the PSD remain a single-town school district and continue its membership in the WCSU; and**
2. **Delay any decision on these matters until the State Board develops and issues the final Statewide Plan.**

STATUTORY AUTHORITY: 16 V.S.A. § 261; Act 153 (2010), as amended; Act 156 (2012), as amended; Act 46 (2015), as amended; Act 49 (2017)

BACKGROUND INFORMATION:

I. General

The PSD provides for the education of its students by paying tuition for all grades, PK-12.

In February 2017, a study committee representing the Woodstock Union Middle/High School District, all of that union district's member elementary districts, and the Plymouth School District (located in the Two Rivers SU) presented a proposal to the State Board¹ to create a new unified school district. The voters of those districts subsequently approved formation of the MUUSD, which will be fully operational on July 1, 2018. The MUUSD is organized to provide for education of its students by operating one or more schools as follows:

- Prekindergarten through Grade 12 education for the students of Bridgewater, Pomfret, Plymouth, Reading, Killington, and Woodstock

¹ See Agenda Item G from the February 21, 2017 meeting.

- Grade 7 through Grade 12 education for the students of Barnard, based upon the pre-existing membership of Barnard in the Woodstock Union Middle/High School District for Grades 7 through 12

The MUUSD and the PSD now submit a 3-by-1 Side-by-Side proposal (3-1) pursuant to Act 49, Sec. 3.

II. 3-1 Proposals in General

In Act 49, Sec. 3, the 2017 Legislature authorized school districts to propose a new multi-district structure, the 3-1. Specifically, the 3-1 program permits a town school district (the Town District) and a recently created unified union school district formed by at least three merging districts² jointly to propose creation of a multi-district SU. Districts proposing a 3-1 must demonstrate that:

1. The 3-1 structure meets all criteria, other than the size criterion, of the RED program of Act 153 or of its Act 156 exceptions such as the MUUSD – *e.g.*, both the new unified district and the Town District must be responsible for the PK-12 education of their respective resident students.
2. The 3-1 structure is better suited to them than forming an SD (a single-district SU).
3. As of town meeting day 2017, the Town District was either:
 - a. “geographically isolated” due to lengthy driving times or inhospitable travel routes between the district’s school(s) and “nearest school [with] excess capacity” as determined by the State Board; or
 - b. “structurally isolated” because the operating/tuitioning patterns of “all adjoining” districts differ from it.
4. The 3-1 structure will meet Act 46 Goals.
5. The Town District has a “detailed action plan to continue to improve” its performance under the Act 46 Goals.

If both the State Board and the PSD voters approve the 3-1 proposal by November 30, 2017, then:

1. The PSD will be exempt from:
 - a. filing a proposal under Act 46, Sec. 9 by December 26, 2017; and
 - b. potentially being required by the State Board’s final Statewide Plan to merge with another district that shares its operating/tuitioning structure.

THE MUUSD AND THE PSD

I. Proposal

The MUUSD and the PSD are both *responsible for* the PK-12 education of their respective resident students. The only other member of the WCSU, the Barnard Elementary School District, provides for the PK-6 education of its students by operating a school for those grades.

² Alternatively, three unmerged districts that are proposing to form a new unified district can be a party to the 3-1 proposal *before* they present the merger proposal to the voters. Because the voters have already approved creation of the MUUSD, this document does not refer to the provisions of that alternative.

The PK-12 ADM of the districts in FY2017 was:

- PSD – 68.5
- MUUSD – 811.52
- (Barnard Elementary School District – 68.9)

The 3-1 proposal states that a majority of PSD students enroll in public schools within the WCSU, while a smaller number attend either public schools in Bethel, Rutland City, and Stockbridge or independent schools. Until FY2016, the PSD was a member of the Windsor Northwest SU (which became part of the White River Valley SU). The 3-1 proposal states that the PSD has explored options during the last 10 years to change the model by which it provides for the education of its students, including one study that explored designation. In addition:

Faced with what [the] voters felt was excellent educational opportunities but increasing financial burden, the school board looked toward changing administrative structure. The school board felt that [the] district could improve educational services (specifically special education services) and achieve economies of scale by joining the SU that a majority of [the PSD] students attended.

With the State Board’s approval, the WCSU’s boundaries were adjusted to include the PSD. The 3-1 proposal states:

All towns involved in this current arrangement find it satisfactory, and Pittsfield’s tax rate has declined from \$2.0156 in FY2015 to \$1.2989 in FY2018. Coordination of SPED services have improved; parents have contacted the Pittsfield School Board to express their appreciation for the change and improvements.

(A different perspective on the tax rate decline is discussed below on pages 4-5.)

The WCSU and MUUSD boards unanimously voted to support the 3-1 proposal. The Chair of the boards of both the SU board and the MUUSD board stated, “We would be thrilled to have [the PSD] continue with us, as they have been a good team player. ... I see no downside to our continued partnership with [the PSD].”

II. Discussion

Because the MUUSD operates schools for all grades and the PSD pays tuition for all grades, it would be impossible for them to merge into a unified union school district that is its own supervisory district unless the voters in one or both districts were willing to change the district’s current operating/tuitioning pattern.

The PSD states that its current full-tuitioning model is the best way to provide substantial equity in the quality and variety of educational opportunities and to lead students to achieve or exceed the State’s Educational Quality Standards (Goals #1 and #2). The proposal asserts that the PSD has “experienced a reduction in tax rates and increased efficiencies since joining the WCSU and maintaining choice” and that this “will also provide Pittsfield with additional flexibility to manage [its] students’ educational expenditures and access” (Goals #3 and #5). Finally, the PSD believes that transparency and accountability are best served by maintaining its

single-town governance structure (Goal #4). (A different perspective on the tax rate decline is discussed below.)

The 3-1 proposal does not include any detailed self-analysis by the PSD in connection with the educational and fiscal goals articulated in Act 46, nor does it provide a “detailed action plan to continue to improve” its performance as required by Act 49, Sec. 3, the 3-1 legislation. In addition, the proposal does not indicate whether and to what extent the PSD reached out to other non-operating districts in the region to discuss the potential benefits of governance merger.

Understandably, any self-evaluation by the PSD could focus only on financial aspects as the district has no ability to increase the educational opportunities available to its students or to improve the quality of the schools in which its students enroll.

Because a fully-tuitioning district has no ability to control the amount of tuition it pays on behalf of its students, it is able to realize significant financial benefits only by spreading the effects of unexpected tuition increases over a larger student population – i.e., by merging its governance with other fully-tuitioning districts, as tax rates are dependent on spending per pupil. At the present, the Granville and Hancock districts are the only districts in the region with a governance structure that is identical to the PSD. Although the results of the Granville-Hancock merger are not yet final, it appears likely that the districts will soon form a new unified district. As a result, the State Board could require the PSD to merge with the G-H USD only if the voters of the unified district accepted the additional town.

The PSD may very well wish to remain a member of the WCSU, and the MUUSD may benefit from the relationship if, as the proposal states, most Pittsfield students pay their tuitioning dollars to its schools. The 3-1 proposal, however, provides no support for the implication that the PSD’s tax rates dropped *as a result* of joining the Windsor Central SU.

Although the 3-1 proposal accurately reports that the PSD tax rate has declined between FY2015 and FY2018, the drop in the rate appears not to be due to joining Windsor Central SU. Rather, there is an approximate \$210,000 drop in expenditures and an approximate \$220,000 increase in offsetting revenues from FY2017 to FY2018, reducing the rate from \$1.8917 in FY2017 to \$1.2882 in FY2018. Roughly, \$90,000 of the expenditure drop is in direct instruction costs – i.e., tuitions. Another roughly \$130,000 is the fact that in FY2017, Pittsfield paid off a deficit which is therefore not in the FY2018 data. On the revenue side, there was a transfer of approximately \$200,000 from a reserve account. Together, the drop in expenditures (roughly 60% of the drop is due to no deficit) and the transfer from the reserve account explain the significant drop in the tax rate.

	Budget	Offsetting Revs	Ed Spend	EqPup	EdSpend/EP	ETR
FY2013	1,312,996	139,441	1,173,555	68.62	17,102	1.7449
FY2014	1,317,738	171,289	1,146,449	69.67	16,455	1.6903
FY2015	1,472,941	149,158	1,323,783	69.32	19,097	2.0156
FY2016	1,453,515	59,047	1,394,468	74.62	18,688	1.9559
FY2017	1,456,309	62,159	1,394,150	75.97	18,351	1.8917
FY2018	1,242,508	283,019	959,489	73.31	13,088	1.2882

It should also be noted that recently enacted laws that exempt fully-tuitioning districts from adverse tax consequences associated with the excess spending threshold have benefited the PSD.

For example, the PSD did not exceed the “excess-spending” threshold from FY2013 through FY2016 due to those special exemptions. The same would have been true for FY2017 except that the excess spending threshold was the allowable growth percentage for that year. Due to the PSD having the second highest per pupil spending in the State in FY2016, its allowable growth threshold for FY2017 would also have been very high, at \$18,871, had the tuitioning exemption not been in place. This year, FY2018, is different – spending per pupil was well under the threshold for the reasons articulated above. Had these exemptions not been in place, the PSD homestead taxpayers would have paid approximately an additional \$91,000 in FY2013, \$36,000 in FY2014, \$112,000 in FY2015, and \$59,000 in FY2016. An operating town with similar expenditures would have been subject to the threshold and paid those additional dollars.

Finally, it is interesting to consider the schools in and outside the WCSU to which the PSD paid tuition on behalf of its students in FY2016 (the most recent year for which data are available):

Where Pittsfield SD tuitioned students in FY2016			
Tuition Destination	FTE	Cost/Pupil	\$FY16
Killington (elem)	12.79	12,790	357,195
Woodstock UHSD (sec)	17	16,000	261,598
Tuition dollars to WCSU			618,793
Barstow Joint (elem)	1	14,700	14,700
Bethel (elem)	2	13,500	27,000
Stockbridge (elem)	6	14,500	81,285
Bethel (sec)	1	16,500	16,500
Rochester (sec)	3	20,000	68,011
Rutland City (sec)	2	14,000	28,424
Rutland Town (sec)	2	12,900	14,614
Killington Mountain School (sec)	5	14,500	68,217
Sharon Academy (sec)	7	14,297	85,782
Out of State (Unknown)	2		27,297
Tuition dollars out of WCSU			431,830

The Agency does not see any compelling benefit to the PSD, the MUUSD, the WCSU, or the State to approving the proposal at this time. In addition, the Agency is aware that the State Board may wish to consider aligning PSD with other tuition only towns as part of the final statewide plan, through either governance merger or SU re-assignment.

Accordingly, we recommend that the State Board does not approve the proposal at this time:

- *Given the small number of available, willing districts in the region that have the same governance structure as the PSD and the relatively minor benefits of merging non-operating districts, it seems reasonable to anticipate that the State Board's Statewide Plan will not require the PSD to merge with any other district.*
- *Delaying the State Board's decision has no effect on the PSD's planning or programming because the PSD is a fully tuitioning district.*
- *Because the considerations and analysis required for both proposals are the same, the PSD is free to consider its 3-1 proposal as satisfying the requirements of an Act 46, Sec. 9 proposal. Therefore, declining to grant approval to the 3-1 proposal will not result in additional work for the PSD. In addition, under Act 46, Sec. 10, the PSD Board will have further opportunities to have "conversations" with the Secretary, to testify to the State Board, and to supplement its proposal if it wishes to do so.*
- *The only significant result of approving the 3-1 proposal at this time, rather than very probably reaching the same conclusion regarding the PSD's status as a single-town school district as part of the Statewide Plan, is that the State Board will appear also to be approving – even if only temporarily – the PSD's membership in the Windsor Central SU. Long-standing statutory law empowers the State Board to redraw SU boundaries on its own initiative or at the request of a school district at any time. **Given the ongoing discussions still occurring in the State, the small size of many SUs in the region, and the possibility that the State Board might require the Barnard School District to merge with the MUUSD and declare the new unified union school district to be its own single-district SU, it would be premature to provide even the impression that the State Board will necessarily maintain the current boundaries of Windsor Central SU in the final Statewide Plan.***

STAFF AVAILABLE: Donna Russo-Savage, Principal Assistant, School Governance
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Windsor Central Unified Union School District & Pittsfield School District

3:1 Joint Proposal

Pittsfield School District

The town of Pittsfield has been operating as a K-12 tuitioning school district since 1985.

The majority of our students attend WCUUSD schools, specifically Killington Elementary (FY18 anticipated: 27 students) and Woodstock Union Middle and High School (17 students). We also have students who attend Stockbridge Elementary (4), Bethel Elementary (1), Rutland High School (1), and Whitcomb Jr/Sr High School (1), and independent schools (7).

Over the past ten years Pittsfield has investigated many options to change our governance structure. The most exhaustive study specifically looked at designating elementary and/or secondary school for our students. At the annual school district meeting in 2008 money to fund the study was approved by the voters. A governance committee authorized by the school board worked with a private consultant and analyzed several options. A report was completed in December 2009 and made available to the voters. An informational meeting was held in late February. At the annual meeting in March, voters overwhelmingly chose to maintain K-12 school choice for our district.

Faced with what our voters felt was excellent educational opportunities but increasing financial burden, the school board looked toward changing administrative structure. The school board felt that our district could improve educational services (specifically special education services) and achieve economies of scale by joining the SU that contained the schools the majority of our students attended. In 2015 Pittsfield voters agreed to leave the Windsor Northwest Supervisory Union and join the Windsor Central Supervisory Union. Thankfully the state Board of Education and the WCSU board agreed, and a de facto side-by-side structure was created.

All towns involved in this current arrangement find it satisfactory, and Pittsfield's tax rate has declined from \$2.0156 in FY2015 to \$1.2989 in FY2018. Coordination of SPED services have improved: parents have contacted the Pittsfield School Board to express their appreciation for the change and improvements.

Windsor Central Unified Union School District

The Windsor Central Unified Union School District contains the towns of Bridgewater, Killington, Plymouth, Pomfret, Reading, and Woodstock. Voted into existence in spring 2017, a board was formed in September 2017 and as one of its first acts voted unanimously to pursue a 3:1 side-by-side merger with Pittsfield. WCUUSD Board Chair Paige Hiller:

The WCSU has been in a successful partnership with Pittsfield for the last few years. We have been very happy with the relationship with Pittsfield, and as we approached Act 46 as a group, we had hoped that Pittsfield would vote to continue to be a part of our Supervisory Union. Both the WCSU and the newly formed Act 46 boards unanimously voted yes to the proposal (3:1) that was presented to us by the Chair of the Pittsfield School Board. We would be thrilled to have them continue with us, as they have been a great team player. As chair of both the WCSU and the newly formed Act 46 board, I see no downside to our continued partnership with Pittsfield but only see added benefits to having them join our newly formed supervisory union. I hope that the BOE will agree with us and support Pittsfield proposal.

After a thorough investigation of options under Act 46 and now Act 49, Pittsfield has determined that joining the WCUUSD in a 3:1, side by side structure will continue this mutually beneficial arrangement and meet Act 46 criteria.

Act 46 Criteria

1. Provide substantial equity in the quality and variety of educational opportunities:

Pittsfield has determined that continuing the ability of parents to choose the appropriate school for their students is the most effective way to provide access to quality educational opportunities.

2. Lead students to achieve or exceed the State's education quality standards:

Pittsfield has determined that maintaining school choice is the best way to assure that students have the opportunity to attend schools that they and their parents have determined will most effectively help them meet or exceed standards.

3. Maximize operational efficiencies through increased flexibility to manage, share, and transfer resources:

Pittsfield has demonstrated through reductions in administrative overhead at the SU level as well as a reduction in tax rates that being a part of the WCSU is maximizing operational efficiencies and retaining school choice governance structure will also provide Pittsfield with additional flexibility to manage our students' educational expenditures and access.

4. Promote transparency and accountability:

Pittsfield will be able to maintain our town's own school budget and accounting system as part of the proposed 3:1 governance structure, thereby assuring that local citizens have access to clear information about our town's expenditures. This information will be discussed at Town Meeting and the Annual School District Meeting, as well as at monthly School Board meetings, further allowing for accountability.

5. Deliver education at a cost that parents, voters and taxpayers value:

As stated above, Pittsfield has experienced a reduction in tax rates and increased efficiencies since joining the WCSU and maintaining choice. The Pittsfield School Board is confident, based on prior, lengthy discussions with townspeople, that joining with the WCUUSD has the support of parents, voters and taxpayers in Pittsfield.

For these reasons, Pittsfield requests that the AOE and SBE approve this proposal to join with the WCUUSD as a 3:1, side by side.