

**AGENCY OF EDUCATION
Barre, Vermont**

TEAM: School Governance Team

ITEM: Will the State Board of Education find that the proposed unified union school district formed by three member districts of the **TWO RIVERS SUPERVISORY UNION (TRSU)** is “in the best interests of the State, the students, and the school districts,” and will the State Board therefore vote to approve the attached report of the **Ludlow-Mount Holly Act 46 Study Committee** (Study Committee)?

RECOMMENDED ACTION:

- 1. That the State Board of Education finds that the proposed formation of a new unified union school district by three member districts of the TRSU, to be named the LUDLOW-MOUNT HOLLY UNIFIED UNION SCHOOL DISTRICT, is “in the best interests of the State, the students, and the school districts” pursuant to 16 V.S.A. § 706c(b).**
- 2. That the State Board of Education votes to approve the attached report of the Study Committee.**
- 3. That the State Board of Education votes to approve the assignment of the new unified union school district, if approved, to the TRSU for administrative and other transitional assistance. Assignment would be at least for the interim period beginning on the date on which the unified union school district becomes a legal entity pursuant to 16 V.S.A. § 706g.**

STATUTORY AUTHORITY: 16 V.S.A. § 706c; Act 153 (2010), Secs. 2-4, as amended; Act 156 (2012), Sec. 15, as amended, Act 46 (2015), as amended; Act 49 (2017)

BACKGROUND INFORMATION:

The TRSU was created in 2013 from the unification of the former Rutland-Windsor and Windsor Southwest Supervisory Unions. Initially, the TRSU consisted of ten school districts located in seven towns, including two districts organized solely to provide for the prekindergarten education of resident children. On April 18, 2017, the voters in one of the districts (Plymouth) approved a proposal to unify with districts in the Windsor Central Supervisory Union. On May 2, 2017, the voters in four TRSU communities (Andover, Baltimore, Cavendish, and Chester) approved creation of the Green Mountain Unified Union School District (GMUUSD), unifying six of the districts into a single entity. Both new UUSDs are in the transitional phase following creation and will assume full operations on July 1, 2018.

The three remaining districts in the TRSU are:

- The Ludlow Elementary School District (LESD), which operates PK-6
- The Mount Holly Elementary School District (MHESD), which operates PK-6
- The Black River Union High School District, which operates grades 7-12 for the resident students of both Ludlow and Mount Holly

Because the LESD and MHESD are members of the Black River Union High School District, both communities must move forward in the same direction – unless both agree to dissolve the union high school district and pursue different paths forward.

The LESD and MHESD participated in the study committee formed in 2015 that led to creation of the GMUUSD. Both districts left that study committee when “it became clear that geographic barriers and variations in costs per students ... would be challenging obstacles for them to overcome in forming a merged district.” In 2016, the LESD and MHESD explored the possibility of joining the newly created Mill River Unified Union School District. The resulting proposal was approved by Mill River voters (2:1) and rejected by Ludlow voters (2:1) in early 2017.

During the summer of 2017, Ludlow and Mount Holly created a committee to explore options available to them under Act 46, as amended by Act 49. The exploratory committee commissioned a financial analysis of four options, which led to creation of a formal § 706 study committee. That committee now proposes creation of a single unified union school district. If approved, the new district would be eligible for tax rate reductions and other transitional assistance under the “Side-by-Side” program created by Act 156, where the GMUUSD would be the other “side.”

THE LUDLOW-MOUNT HOLLY UUSD:

The Study Committee proposes creation of a UUSD that would provide for the education of resident students by operating schools offering grades PK-6, that would continue to operate a school offering grades 7-12 for no more than two years, and that upon ceasing high school operations would pay tuition for all students in grades 7-12 (New Unified District). The New Unified District would assume full operations on July 1, 2018.

The Study Committee identifies the following school districts as “necessary” to the proposal pursuant to 16 V.S.A. § 706b(b)(1): Ludlow; Mount Holly. The Black River UHSD is also necessary to the proposal but its interests are, by law, represented by the town school districts.

The Study Committee does not identify any school districts as “advisable” to the proposal pursuant to 16 V.S.A. § 701b(b)(2).

In FY2017, the combined average daily membership (ADM) of the potentially merging districts was 366.83 (LESD: 117.20; MHESD: 100.00; Black River UHSD: 149.63). The combined FY2017 ADM of all districts in the TRSU (less Plymouth, which will join the Windsor Central SU) was 1,058.03.

If approved by the State Board, the electorate of the two town elementary districts will vote on November 28, 2017 whether to approve creation of the New Unified District.

The New Unified District, which would provisionally be known as “the Ludlow-Mount Holly Unified Union School District,” would merge three existing school districts into a single district responsible for providing for the education of all students in grades PK-12.

The New Unified District would be governed by a school board of eight members, with four members allocated to each town. The voters of the entire New Unified District would vote on all members (the “hybrid” model of board membership).

The Articles require the New Unified District Board to adopt a policy by July 1, 2018 providing a process for intradistrict choice for PK-6 students, taking into consideration issues such as transportation, socio-economic equity, and capacity of schools.

An elementary school could be closed only if approved (1) unanimously by the New Unified District Board and (2) by the voters of the town in which the building is located.

If an elementary building is closed and would no longer be used for public education purposes, then the town in which the school building is located would have the right of first refusal and could purchase the property for \$1.00, provided that the town agreed to use the property for public and community purposes for a minimum of five years. The proposal includes provisions addressing use for these purposes for fewer than five years.

If the New Unified District Board determines that any real property conveyed to it by the Black River Union High School District would no longer be used for education purposes, then the Board would sell the property to the Town of Ludlow for \$1.00, under the same terms as for the sale of elementary schools.

All votes on the annual budget, board membership, and other public questions would be by Australian ballot. Although the New Unified District would be a single entity with a single budget, single tax rate, and single electorate, the Articles require that budget votes will be counted separately in each town before being delivered to the District Clerk, where the result will be determined by a majority of the total votes cast.

The Articles require the New Unified Board to prepare and present a detailed financial analysis of the merger to the public by July 1, 2023.

POLICY IMPLICATIONS: By enacting Act 46, which incorporated the provisions of Act 153 (2010), the General Assembly declared the intention to move the State toward sustainable models of education governance designed to meet the goals set forth in Section 2 of the Act. It was primarily through the lens of those goals that the Secretary has considered whether the Study Committee’s proposal is “in the best interests of the State, the students, and the school districts” pursuant to 16 V.S.A. § 706c.

EDUCATION IMPLICATIONS:

The study committee anticipates that unifying three school districts with three separate boards into a single district with a single board would help ensure equitable opportunities and monitor outcomes for all students. In addition, the new structure would enable intradistrict elementary choice. Finally, the study committee expects that secondary students – who now attend a grade 7-12 school with an ADM of 130-150 students – would see an expansion of opportunities by the ability to enroll in the other, larger union high schools in the region (e.g., Mill River, Green Mountain) or in an approved independent school.

FISCAL IMPLICATIONS:

The Study Committee's report indicates that cost savings will arise in primarily two ways. First, a single district will allow for a greater sharing of resources, including staff, between the two elementary schools. Secondly, replacing the current system of operating grades 7-12 (with a 2015-2016 tuition rate in excess of \$17,000) with a tuitioning model (with the highest rate in the region at ~\$15,000 for the same year) will result in a net savings of more than \$600,000 after factoring in additional transportation costs. The study committee recognizes the need to "monitor the impact of school choice on transportation costs and ... strike a balance between ensuring equitable access to schools and school activities for all students while at the same time keeping an eye on costs."

See also Act 153, as amended, for cost implications to the State.

The Study Committee's proposal is aligned with the goals of the General Assembly as set forth in Act 46 of 2015 and with the policy underlying the union school district formation statutes as articulated in 16 V.S.A. § 701.

Although we believe that this proposal makes practical sense and recommend that the State Board approve creation of the New Unified District, we are concerned that the ongoing challenges of scale will continue to limit the district's ability to strengthen programs and provide educational opportunities.

Opportunities for strengthening programs and for realizing financial savings and efficiencies are also diminished by the proposal's restrictions on flexibility.

This proposal is a good first step. We anticipate, however, that the New Unified District will need to continue to evaluate ways in which it can "right-size" its operations and otherwise work to achieve long-term sustainability.

STAFF AVAILABLE:

Donna Russo-Savage, Principal Assistant to the Secretary,
School Governance
Brad James, Education Finance Manager

Type of Merger	
<i>Please refer to the related eligibility worksheets to determine baseline eligibility for each merger type.</i>	(column reserved for agency use)
<input type="checkbox"/> Accelerated Merger (Act 46, Section 6)	
A Regional Education District (RED) or one of its variations (Act 153 (2010) and Act 156 (2012)) <ul style="list-style-type: none"> <input type="checkbox"/> RED (Act 153, Secs. 2-3, as amended by Act 156 , Sec. 1 and Act 46, Sec. 16) <input checked="" type="checkbox"/> Side by Side Merger (Act 156 , Sec. 15) Districts involved in the related merger: Green Mountain Unified School District <input type="checkbox"/> Layered Merger (Union Elementary School District) (Act 156, Sec. 16) <input type="checkbox"/> Modified Unified Union School District (MUUSD) (Act 156, Sec. 17, as amended by Act 56 (2013), Sec. 3) 	
<input type="checkbox"/> Conventional Merger – merger into a preferred structure after deadline for an Accelerated Merger (Act 46, Section 7)	

Dates, ADM, and Name	
Date on which the proposal will be submitted to the voters of each district (16 V.S.A. § 706b(b)(11)): November 28, 2017	
Date on which the new district, if approved, will begin operating (16 V.S.A. § 706b(b)(12)): July 1, 2018	
Combined ADM of all “necessary” districts in the current fiscal year: 381.33	
Proposed name of new district: Ludlow-Mount Holly Unified Union School District	

Please complete the following tables with **brief, specific** statements of how the proposed union school district will comply with the each of the listed items. *Bulleated statements are acceptable.*

The Proposed School District is in the Best Interest of the State, Students, and School Districts – as required by 16 V.S.A. § 706c		
<p><u>Goal #1:</u> The proposed union school district will provide substantial equity in the quality and variety of educational opportunities.</p> <p><i>Act 46, Sec. 2(1)</i></p>	<ul style="list-style-type: none"> • A single school district with a single school board will be better able to ensure equitable learning opportunities for all students. • The new district would educate its secondary students by paying tuition for students to attend the school of their choice. This will expand the quality of available learning opportunities for secondary students. • Creates an expanded opportunity for elementary school choice 	
<p><u>Goal #2:</u> The proposed union school district will lead students to achieve or exceed the State’s Education Quality Standards, adopted as rules by the State Board of Education at the direction of the General Assembly.</p> <p><i>Act 46, Sec. 2(2)</i></p>	<ul style="list-style-type: none"> • A single district PK-12 will enable the school board to monitor student progress across all grade levels. • Implementing school choice for students in grades 7-12 will allow students to choose secondary schools that are better aligned to their personal learning aspirations which will no doubt translate into higher achievement levels. 	
<p><u>Goal #3:</u> The proposed union school district will maximize operational efficiencies through increased flexibility to manage, share, and transfer resources, with a goal of increasing the district-level ratio of students to full-time equivalent staff.</p> <p><i>Act 46, Sec. 2(3)</i></p>	<ul style="list-style-type: none"> • A single district will allow for greater sharing of resources, including staff FTEs, at the elementary level. • Creates one treasurer and one audit • Consolidates payroll functions by creating one employer of record 	

<p><u>Goal #4:</u> The proposed union school district will promote transparency and accountability.</p> <p><i>Act 46, Sec. 2(4)</i></p>	<ul style="list-style-type: none"> • This merger would create a single school district where there are currently three. A single district with a single tax rate will promote greater transparency to tax payers, and enable greater accountability of the district’s finances. • Establishes one central school board for parental and community interaction grades PK-12 	
<p><u>Goal #5:</u> The proposed union school district will deliver education at a cost that parents, voters, and taxpayers value.</p> <p><i>Act 46, Sec. 2(5)</i></p>	<ul style="list-style-type: none"> • The financial analysis of the proposed merger indicates education spending will be reduced significantly with the implementation of school choice in grades 7-12. • This merger leverages incentives available to merging districts including tax rate reductions, preserving revenue currently provided through the Small Schools Grant program, and the future utilization of the 3.5% hold harmless provision for a loss of equalized pupils if necessary. 	
<p><u>Regional Effects:</u></p> <p>What would be the regional effects of the proposed union school district, including: would the proposed union school district leave one or more other districts geographically isolated?</p> <p><i>Act 46, Section 8(a)(2)</i></p>	<ul style="list-style-type: none"> • This merger would not leave any school district geographically isolated. This merger includes the remaining districts of the Two Rivers Supervisory Union that to date have not been incorporated into a merger under Act 46. 	

Articles of Agreement – as required by 16 V.S.A. § 706b(b)(3) - (10), (13)

<p>(3) The grades to be operated by the proposed union school district</p> <p>The grades, if any, for which the proposed union school district shall pay tuition</p>	<ul style="list-style-type: none"> • The Unified Union District would operate the following elementary schools: The Mount Holly School (PK-6), and Ludlow Elementary School (PK-6). • The new Unified Union District would pay tuition for students in grades 7-12 upon the closure of Black River Union High School. The Unified District would continue to operate Black River Union High School until no later than June 30, 2020 to facilitate the transition to non-operating status. 	
<p>(4) The cost and general location of any proposed new schools to be constructed</p> <p>The cost and general description of any proposed renovations</p>	<ul style="list-style-type: none"> • No new schools would be constructed because of this merger. No schools would be renovated. 	
<p>(5) A plan for the first year of the proposed union school district's operation for:</p> <p>(A) the transportation of students (B) the assignment of staff (C) curriculum</p> <p>The plan must be consistent with existing contracts, collective bargaining agreements, and other provisions of law, including 16 V.S.A. chapter 53, subchapter 3 (transition of employees)</p>	<p>The Unified Union District will assume operational control of the schools listed above on July 1, 2018. To ensure a smooth transition to unified operations, the Unified Union School District School Board shall:</p> <ul style="list-style-type: none"> • Determine, in accordance with state and federal law, the transportation services to be provided to students in the District; • Develop school district policies; • Assign staff to ensure equitable programming while at the same time preserving continuity and quality of services; • Develop curriculum and related assessment measures necessary to fulfill the Education Quality Standards; and • Prepare for and negotiate collective bargaining agreements consistent with 16 VSA Chapter 53, Subchapter 3 (transition of employees). 	
<p>(6) The indebtedness of the proposed</p>	<p>The Unified Union School District will assume all debts from the merging districts. The following merging districts have debts that will be assumed by the Unified</p>	

<p>merging districts that the proposed union school district shall assume.</p>	<p>Union School District.</p> <ul style="list-style-type: none"> • Mount Holly Town School District \$105,000 • Union District #39 \$180,000 	
<p>(7) The specific pieces of real property owned by the proposed merging districts that the proposed union school district shall acquire, including:</p> <ul style="list-style-type: none"> * their valuation * how the proposed union school district shall pay for them 	<p>The Unified Union School District would purchase the following schools for one dollar each. The insured replacement values of the schools are listed below.</p> <ul style="list-style-type: none"> • Ludlow Elementary School and Black River High School \$9,250,700 • Mount Holly School \$3,701,600 	
<p>(8) <i>[repealed 2004 Acts and Resolves No. 130, Sec. 15]</i></p>		
<p>(9) Consistent with the proportional representation requirements of the Equal Protection Clause, the method of apportioning the representation that each proposed member town shall have on the proposed union school board</p> <ul style="list-style-type: none"> * no more than 18 members total * each member town is entitled to at least one representative * <i>see also</i> 16 V.S.A. § 706k(c): one or more at-large directors * <i>see also</i> 16 V.S.A. § 707(c): weighted voting 	<p>The Unified Union School District Board shall be comprised of eight directors. All directors will be elected through at-large voting by the electorate of the Unified Union School District.</p> <ul style="list-style-type: none"> • Ludlow 4 directors • Mount Holly 4 directors 	

<p>(10) The term of office of directors initially elected, to be arranged so that one-third expire on the day of each annual meeting of the proposed union school district, beginning on the second annual meeting, or as near to that proportion as possible</p>	Initial Term	1 Year	2 Year	3 Year	
	Next Election	2019	2020	2021	
	Ludlow	1	2	1	
	Mount Holly	1	2	1	
	Total	2	4	2	
<p>(13) Any other matters that the study committee considers pertinent, including whether votes on the union school district budget or public questions shall be by Australian ballot</p> <p><i>(please list each matter separately)</i></p>	<p>A provision has been included to add additional protections for the closure of elementary schools. See Article 7.</p> <p>All questions, including the Unified Union School District budget, will be voted on by Australian ballot. See Article 11.</p> <p>A provision has been included to require the new school board to enact a policy for expanded elementary school choice among the elementary schools operated by the district. See Article 14.</p> <p>A provision has been included to require the new school board to complete a financial analysis of the merger after several years of unified district operations. See Article 15.</p>				

LUDLOW-MOUNT HOLLY UNIFIED UNION SCHOOL DISTRICT

Merger Study Report and Articles of Agreement

Ludlow, Mount Holly, and Union District #39 (Black River)

October 9, 2017

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Merger Study Committee Members

Mariel Meringolo (Chairperson) – Ludlow

Mary Alberty – Mount Holly

Uli Donohue – Ludlow

Chris Garvey – Ludlow

David Venter – Mount Holly

Kristin Veysey – Mount Holly

Committee Support Staff

Meg Alison Powden, TRSU Superintendent

Christopher Adams, Director of Financial Operations

Daniel French, Consultant

Chris Leopold, Legal Counsel

Executive Summary

This merger would create a single, unified union school district among three districts in the Two Rivers Supervisory Union (TRSU): the Ludlow Town School District, the Mount Holly Town School District, and Union School District #39 (Black River). Ludlow and Mount Holly are the only two member districts of Union District #39.

The new unified union district would operate the Ludlow Elementary School and the Mount Holly School for students in grades PK-6. The new unified union district would also operate Black River Union High School for a period no longer than two years after the effective date of the merger. After that time period, the unified union district would pay tuition in accordance with the law to provide for the education of its students in grades 7-12 at schools of their choice.

This merger would qualify as a “side-by-side” merger with the newly formed Green Mountain Unified School District. Accordingly, this merger would qualify for the side-by-side RED tax incentives described by Act 153. These incentives reduce the tax rate by 8 cents, 6 cents, 4 cents, and then 2 cents for each year over a four-year period. The merger would preserve approximately \$131,426 in revenue that previously went to Ludlow and Mount Holly under the Small Schools Grant program.

The Committee concluded the State will likely compel these districts to merge under the state

This proposed merger is likely the last and only opportunity for these communities to obtain tax incentives for merging, something they will probably be required to do anyway at some point in the future.

governance plan required in 2019. This proposed merger is likely the last and only opportunity for these communities to obtain tax incentives for merging, something they will probably be required to do anyway at some point in the future.

Consistent with the goals of Act 46, the Committee concluded this merger would create a more sustainable and effective governance structure. The merger would create a single school board to oversee PreK-12 education instead of having separate elementary boards in each community and a different board for middle and secondary education. The Committee concluded a single board PreK-12 will be in a better position to provide equitable learning opportunities for all students, and will be better able to monitor student outcomes at each grade level to ensure all students meet high standards.

Governance Study Context and Process

TRSU Districts and Act 46

These districts have been challenged to find a path forward under Act 46. One group of districts in the TRSU centered around Green Mountain Union High School came together to form a unified union

district. In 2015, Ludlow and Mount Holly initially joined the merger study committee that led to the formation of the Green Mount Unified Union School District. Ludlow and Mount Holly ultimately left this committee when it became clear that geographic barriers and variations in costs per student among the districts would be challenging obstacles for them to overcome in forming a merged district. Another major concern was the merger would force the closure of Black River Union High School, a major concern for Ludlow.

Later that same year, Ludlow and Mount Holly formed another merger study committee with the member communities of the newly formed Mill River Unified Union School District. This merger required the closure of Black River Union High School at the end of the 2017-2018 school year. Ultimately, this merger committee was successful in producing a merger plan and articles of agreement to put before the voters in the spring of 2017, but the voters in Ludlow rejected the merger by a 2 to 1 ratio. Mount Holly voters, on the other hand, approved the merger by a 2 to 1 margin. Since Ludlow and Mount Holly are both members of Union District #39, however, any merger would require the consent of both districts so this merger plan failed as well.

The geography of the TRSU and the location of buildings create large challenges. Green Mountain Union High School is a well-maintained, modern facility which could house all middle and high school students in the supervisory union. However, it is located in Chester, 13 miles from Ludlow and 23 miles away from the Mt. Holly School. Some students on the far side of Mt. Holly reside 30 miles away. The current realities prevent this from being a viable, equitable plan for all students and communities. With a modern school building already within the current supervisory union, it is hard to imagine the public supporting construction of a new, centrally-located facility.

-GMUSD Merger Study Report

The Looking Forward Committee, Summer of 2017

With the passage of Act 49 in June 2017 and the extension of RED tax incentives, the two communities decided to form an exploratory committee to study their options. This committee, called the Looking Forward Committee, convened in the summer of 2017. This committee decided to commission a financial analysis of four governance options:

1. The Mount Holly Town School District and the Ludlow Town School District would merge and form a unified union district for students in grades PK-12. This district would continue to operate the two elementary schools, but Union District #39 would be dissolved and the new district would provide tuition for students to attend the schools of their choice in grades 7-12.
2. The Mount Holly Town School District and the Ludlow Town School District would merge and form a unified union district for students in grades PK-12. This district would operate the two elementary schools for students in grades PK-6 and operate Black River for students in grades 7-12.

3. The Mount Holly Town School District and the Ludlow Town School District would not merge and each town school district would continue to operate its elementary school. Union District #39 would be dissolved, and the districts would provide tuition for students to attend the schools of their choice in grades 7-12.
4. The Mount Holly Town School District and the Ludlow Town School District would not merge. Mount Holly would continue to operate its elementary school for students in grades PK-6. It would enter into a joint contract agreement with Ludlow to send its students in grades 7 and 8 to Black River, and it would provide tuition to students in grades 9-12 to attend a school of their choice. Ludlow would become a unified union school district and operate its elementary school for students in grades PK-6 and Black River for students in grades 7-12.

The financial analysis indicated there would be financial benefit to closing Black River Union High School. Informed by this data, the Ludlow and Mount Holly school boards formed a formal merger study committee in September of 2017. That Committee met once with a focus on producing a merger plan to implement Option #1: merging the districts but eventually closing Black River and implementing school choice for students in grades 7-12. Based on the analysis of the previous merger study reports and the recent financial analysis of its merger options, the Committee determined it was advisable to merge the districts under these terms at the end of its first meeting.

Committee Findings

Policy Objectives of Act 46

The Committee concluded this merger would be an effective solution for the region to meet the policy objectives of Act 46. These policy objectives are focused on creating a more sustainable school district governance system to support local decisions that:

1. Provide substantial equity in the quality and variety of educational opportunities;
2. Lead students to achieve or exceed the State's Education Quality Standards;
3. Maximize operational efficiencies through increased flexibility to manage, share, and transfer resources, with a goal of increasing the district-level ratio of students to full-time equivalent staff;
4. Promote transparency and accountability; and
5. Are delivered at a cost that parents, voters, and taxpayers value.

Goal #1: Equity in the Quality of Educational Opportunities

The Committee identified the following opportunities to meet this goal by merging the districts:

- A single school district with a single school board will be better able to ensure equitable learning opportunities for all students.
- The new district would educate its secondary students by paying tuition for students to attend the school of their choice. This will expand the quality of available learning opportunities for secondary students.
- A single district creates the opportunity for expanded elementary school choice.

Goal #2: Students Exceeding or Achieving State Quality Standards

The Committee identified the following opportunities to meet this goal by merging the districts:

- A single district PK-12 will enable the school board to monitor student progress across all grade levels.
- Implementing school choice for students in grades 7-12 will allow students to choose secondary schools that are better aligned to their personal learning aspirations which will no doubt translate into higher achievement levels.

Goal #3: Maximize Operational Efficiencies

The Committee identified the following opportunities to meet this goal by merging the districts:

- A single district will allow for greater sharing of resources, including staff FTEs, at the elementary level.
- A single district creates one treasurer and one audit greatly simplifying the financial organization of the districts.
- A single district consolidates payroll functions by creating one employer of record.

Goal #4: Promotes Transparency and Accountability

The Committee identified the following opportunities to meet this goal by merging the districts:

- This merger would create a single school district where there are currently three. A single district with a single tax rate will promote greater transparency to tax payers, and enable greater accountability of the district's finances.
- A single school board creates one point of contact for parents and community members PK-12.

Goal #5: Services Provided at a Cost that Parents, Voters, and Taxpayers Value

The Committee identified the following opportunities through merging the districts:

- The financial analysis of the proposed merger indicates education spending will be reduced significantly with the implementation of school choice in grades 7-12.
- This merger leverages incentives available to merging districts including tax rate reductions, preserving revenue currently provided through the Small Schools Grant program, and the future utilization of the 3.5% hold harmless provision for a loss of equalized pupils if necessary.

Projected Tax Rate Implications

FY2018 Financial Information

A formal study of the financial implications of merging these districts was completed in the summer of 2017. The Committee used this information to focus its analysis on Option #1 where the districts were merged and Black River was shut down in favor of implementing school choice in grades 7-12. The financial modelling for this analysis was based on using FY2018 financial information to determine the potential effect of merging on the tax rate. The FY2018 financial information used for this analysis is summarized in the tables below.

Table 1: Education Spending, FY2015-FY2018

	FY2015	FY2016	FY2017	FY2018
Ludlow	\$1,795,025	\$1,818,425	\$1,735,560	\$1,777,370
Mt. Holly	\$1,306,851	\$1,266,806	\$1,300,027	\$1,339,301
UD #39	\$3,754,808	\$3,256,924	\$3,228,004	\$3,054,451

Table 2: Equalized Pupils, FY2015-FY2018

	FY2015	FY2016	FY2017	FY2018
Ludlow	117.29	110.00	103.29	102.23
Mt. Holly	79.42	72.82	74.31	83.50
UD #39	194.52	195.62	193.11	177.41

Table 3: Pre-CLA Tax Rates, FY2015-FY2018

	FY2015	FY2016	FY2017	FY2018
Ludlow	\$1.6153	\$1.7302	\$1.7321	\$1.7255
Mt. Holly	\$1.7368	\$1.8207	\$1.8034	\$1.5919
UD #39	\$1.7232	\$1.7425	\$1.7231	\$1.7087

The Option #1 Model: Education Spending

In this model, education spending would change because costs associated with operating Black River would be replaced with the costs with providing tuition. Also, transportation costs would change since it is assumed all student transportation would be provided by the new district, unlike the current arrangement where Ludlow receives its transportation through the town’s municipal transit services.

Current enrollment of Black River indicates the new district would have to tuition 131 students. Under Vermont law, the new district would be responsible for providing the full tuition to any public school or the union district average tuition amount to any approved independent school. Since the announced tuition rates of regional public schools are usually higher than the union average rates, the public school rates were used in the model. The table below summarizes the most recent “allowable” tuition rates for area secondary schools.

Table 4: 2015-2016 Allowable Tuition Rates for Regional Secondary Schools

	Tuition Rate
Black River High School	\$17,368
Mill River High School	\$15,053
Green Mountain Union HS	\$14,279

Allowable tuition rates are determined by the State by November 1st in the year following the prior school year, and are the actual tuition rates sending districts must pay. For the purposes of this analysis, \$16,000 was used as an assumed secondary tuition rate. With 131 students, the secondary tuition cost for the new district would be \$2,096,000.

To make a comparison to current secondary costs, two other costs centers were included, special education and transportation, since the new district would likely have these additional secondary costs beyond tuition costs. It is assumed special education costs (\$452,871) and revenues (\$182,867) would remain the same as budgeted in the UD #39 budget. The net different between these budgeted costs and revenues is an additional \$270,004 in education spending.

Mount Holly’s full transportation costs and applicable revenues are already represented in its education spending. Ludlow Municipal Transit had budgeted expenditures of \$238,895 and revenues of \$9,300. Some of their services included non-school services, but for the purposes of this analysis \$229,565 was used as an estimated cost (expenditures minus revenues) since the school transportation costs represent a significant percent of their total costs. This amount was further reduced by 40% since bringing these costs into the new district would make them eligible for state reimbursement. This reimbursement is made in the year after the services are provided, but to make a good comparison they were included in the same year. With 40% reimbursement, the new district would have additional net student transportation costs of \$137,727 for Ludlow students.

The supervisory union had completed some modelling of a unified union governance structure and concluded education spending could be reduced by \$60,000 through changes in staffing patterns and reductions in other administrative costs. These savings were included in the education spending model below along with the other variables described previously.

Table 5: Model Education Spending, Option #1

	Education Spending
Ludlow Town School District	\$1,777,370
Mount Holly Town School District	\$1,339,301
Secondary Tuition	\$2,096,000
Secondary Special Education	\$270,004
Ludlow Transportation	\$137,727
Administrative Savings	(\$60,000)
Total	\$5,560,402

Option #1: Equalized Pupils

This model would create a single unified union school district. The equalized pupils from the town school districts and the equalized pupils of Union District #39 would be aggregated together into a single district.

Table 6: Equalized Pupils, Option #1

	FY2018
Ludlow	102.23
Mount Holly	83.50
UD #39	177.41
Total	363.14

Option #1: Tax Rate

With model education spending and equalized pupils, the model tax rate for this governance option could be determined. The model yields an Education Spending per Equalized Pupil amount of \$15,312. This amount was then divided by a Property Yield value (\$10,076) to determine a tax rate of \$1.52.

To make the comparison to current tax rates, the composite tax rate for each community was determined. This rate is calculated by determining the percent of each town's students that attends school at the town school district level and at Union District #39. This percent is then applied to the tax rate of each of these districts. Table 7 shows the current tax rates compared to the model tax rate.

Table 7: Model Tax Rate Compared to Current Tax Rates, Option #1

	% by District		Prorated Rates		Current Rate	Model Rate	Variance
	Town	UD #39	Town	UD #39			
Ludlow	48.15%	51.85%	\$0.83	\$0.89	\$1.72	\$1.52	(\$0.20)
Mt. Holly	55.36%	44.64%	\$0.88	\$0.76	\$1.64	\$1.52	(\$0.12)

Since this merger would qualify as a side-by-side RED structure, it would qualify for tax incentives. In the first year of the merger, this incentive would further reduce the tax rate by \$0.08.

Table 8: Model Tax Rate with Incentives

	Current Rate	Model Rate	w/ Tax Incentive	Total Variance
Ludlow	\$1.72	\$1.52	\$1.44	(\$0.28)
Mt. Holly	\$1.64	\$1.52	\$1.44	(\$0.20)

Conclusion

It is impossible to determine the actual future tax rate since that calculation would be based on future amounts of education spending, equalized pupils, and the variables of Vermont’s education funding system determined by the General Assembly on an annual basis. When FY2018 financial information is used to model the impact of merging on the tax rate, however, merging the districts and closing Black River would seem to save the districts about \$610,720 in education spending. This translates to a \$0.20 tax rate decrease for Ludlow and a \$0.12 tax rate decrease for Mount Holly before incentives are applied. The incentives further lower the tax decrease for each district by another 8 cents in the first year of the merger.

Hold Harmless Provision for Equalized Pupils

The law provides a mechanism in the education funding system to protect a district from a significant decrease in the number of students. This mechanism protects a district to a maximum of a 3.5% decrease in equalized pupils even though the district might have a greater decrease. In the past, this has been an important consideration for Ludlow and Mount Holly. Act 46 grandfathers merging districts in at 3.5% and gradually reduces the rate for non-merging districts. This merger would ensure the new district would have access to the full 3.5% in the future if it was applicable.

School Closure

This merger would qualify as a Regional Education District (RED) as described by Act 153. This law provides some protection to a community that might be concerned about a merged school district closing its school at some point in the future. Under Act 153, the community of a school must first give its approval before a school can be closed. This default protection extends for a period of four years after a merger.

The Committee desired to expand upon these protections for elementary school closure. Article 7 states no elementary school shall be closed without a unanimous vote of the school board and an affirmative vote of the town in which the elementary school it is located.

Expanded Elementary School Choice

The Committee believes one of the potential advantages of this merger is that it will allow for school choice among the elementary schools operated by the District since the current district boundaries will no longer confine student attendance to the elementary school in their town of residence. The districts currently allow some elementary school choice on a limited basis. The Committee has included language

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under Article 14 to require the new school board to enact a policy to expand elementary school choice. The Committee believes expanded elementary school choice would be beneficial for both students and families, and support the broader goals of improving the quality and equity of educational opportunities for all students.

Board Governance and Representation

The Committee believes it is important to ensure both communities have an equal number of representatives on the new school board. To do this, all school board members would be elected through “at-large” voting. At-large voting means that all school board members would be elected by all voters of the new district. For example, a Mount Holly resident wishing to run for the board would file a petition with the Clerk of the Town of Mount Holly with the requisite number of signatures of Mount Holly residents to get on the ballot. At the election, however, the Mount Holly candidate along with the full ballot of board member candidates from Ludlow and Mount Holly would be voted on by the voters of the new district not just Mount Holly voters.

The Committee proposes the following board configuration of the new district.

Table 9: Board Configuration

District	Number of Representatives
Ludlow	4
Mount Holly	4
Total	8

Student Transportation

The implementation of school choice for students in grades 7-12 could impact transportation routes and costs. The new school board and the TRSU board will have to monitor the impact of school choice on transportation costs and seek to strike a balance between ensuring equitable access to schools and school activities for all students while at the same time keeping an eye on costs. The Committee believes

an approach to secondary transportation that ensure students have access to both Mill River and Green Mountain High Schools is a good approach, while transportation to other schools not receiving large numbers of the district's students should be avoided. Ultimately, this issue will need to be resolved through the transportation policies of the new districts and the TRSU.

Articles of Agreement

The Merger Study Committee recommends the following Articles of Agreement be adopted by each necessary and advisable school district for the creation of a Pre-Kindergarten through Grade 12 unified union school district to be named the Ludlow-Mount Holly Unified Union School District, hereinafter referred to as the “New Unified Union District.”

Article 1: Necessary and Advisable School Districts

The Ludlow Town School District and the Mount Holly Town School District are necessary districts to the merger. Union School District #39 (Black River) is also a necessary district to the merger, but its interests are represented by the voters of each of its member districts.

If the New Unified Union District is created, then the districts that voted in favor of merger shall be referred to herein as the “Forming Districts”. The term shall also include Union School District #39 except where it clearly refers solely to the town school districts.

Article 2: Additional Districts Advisable to the Merger

There are no additional districts being recommended as advisable districts to the merger.

Article 3: Grades to be Operated by the Union School District

The New Unified Union District will operate schools in grades Pre-Kindergarten through Grade Six. The New Unified Union District will also operate Black River Union High School until no later than June 30, 2020. The School Board of the New Unified Union District shall determine the timeline for closing Black River Union High School. After the New Unified Union District has ceased operating Black River Union High School, it will pay tuition in accordance with the law to provide for the education of its students in grades seven through twelve.

Article 4: New Schools to be Constructed

No new school construction is necessary to, or proposed for, the formation of the New Unified Union District.

Article 5: First Year of District Operations

The New Unified Union District will provide for the transportation of students, assignment of staff, curricula, education programs, and student services that, to the extent practicable, are consistent with the contracts, policies and practices that were in existence during the year immediately preceding the first year of the New Unified Union District’s operation.

The New Unified Union District Board of School Directors will comply with 16 VSA Chapter 53, Subchapter 3, regarding the recognition of the representatives of employees of the respective forming

districts as the representatives of the employees of the New Unified Union District and will commence negotiations pursuant to 16 VSA Chapter 57 for teachers and 21 VSA Chapter 22 for other employees. In the absence of new collective bargaining agreements on July 1, 2018, the New Unified Union District Board will comply with the pre-existing master agreements pursuant to 16 VSA Chapter 53, Subchapter 3. The New Unified Union District Board shall honor all individual employment contracts that are in place for the forming districts on June 30, 2018, until their respective termination dates.

The Board of School Directors of the New Unified Union District shall make all subsequent decisions relative to the operation of the new district consistent with state and federal laws and these Articles of Agreement.

Article 6: Funds, Indebtedness, and Special Funds

All operating surpluses and/or deficits of any of the Forming Districts shall become the property, and/or the obligation of the New Unified Union District, effective July 1, 2018. Those Forming Districts with surpluses or remaining reserve funds as of the close of business on June 30, 2018, will transfer all such funds to the New Unified Union District. Reserve funds or like accounts held by school districts prior to June 30, 2018, that have specified conditions of use will be used in accordance with said provisions. All debts or obligations of the forming districts shall be transferred to and assumed by the New Unified Union District.

The debt and funds specified above shall be transferred to the New Unified Union District in accordance with procedures and timelines established by the New Unified Union District Board following its organizational meeting, as further discussed in Article 13.

Article 7: Real and Personal Property

1. No later than June 30, 2018, the forming districts will convey to the New Unified Union School District, for the sum of One Dollar, and subject to all encumbrances of record, all school-related real estate and personal property owned by them, including all school-related land, buildings, and contents.
2. Disposal of Real Estate. In the event that, and at such subsequent time as, the New Unified Union School District Board of School Directors determines, in its discretion, that any of the real property, including land and buildings, conveyed to it by one or more of the forming districts is or are unnecessary to the continued operation of the New Unified Union School District and its educational programs, the New Unified Union School District shall convey such real property, for the sum of One Dollar, and subject to all encumbrances of record, the assumption or payment of all outstanding bonds and notes and the repayment of any school construction aid or grants as required by Vermont law, to the town in which it is located, except as provided below for any properties conveyed to the New Unified Union District by Union District #39.
3. In the event that, and at such subsequent time as, the New Unified Union District Board of School Directors determines, in its discretion, that any of the real property, including land and buildings, conveyed to it by Union District #39 is or are unnecessary to the continued operation

of the New Unified Union District and its educational programs, the New Unified Union District shall sell such real property, subject to all encumbrances of record, the assumption or payment of all outstanding bonds and notes and the repayment of any school construction aid or grants as required by Vermont law, to the Town of Ludlow for One Dollar.

4. The conveyance of any school properties to a town shall be conditioned upon the town owning and utilizing the real property for community and public purposes for a minimum of five years. In the event a town elects to sell the real property prior to five years of ownership, the town shall compensate the New Unified Union District for all capital improvements and renovations completed after the formation of the New Unified Union District and prior to the sale to the town. In the event a town elects not to acquire ownership of such real property, the New Unified Union District shall, pursuant to Vermont statutes, sell the property upon such terms and conditions as established by the New Unified Union District Board of School Directors.

5. The School Board of the New Unified Union District shall not close or discontinue the use of any elementary school within its boundaries without a unanimous vote of the school board and an affirmative vote of the town in which the elementary school it is located.

Article 8: Board of School Directors

The New Unified Union District Board of Directors shall be composed of eight (8) directors. Directors shall be nominated from the legal voters of each town school district and shall be elected on an at-large basis by Australian Ballot vote by the voters of the New Unified Union District. Directors shall have equal votes and shall be allocated as follows: Ludlow four (4) directors and Mount Holly four (4) directors.

Article 9: Initial Board Member Terms of Office and Election

The term of office for School Directors elected on November 28, 2017 shall be one, two, or three years, respectively, plus the additional months between the date of the Organizational Meeting of the New Unified Union District (16 VSA § 706j), when the initial school directors will begin their term of office, and the date of the New Unified Union District’s annual meeting in the spring of 2018, as established under 16 VSA § 706j. Thereafter, terms of office shall be three (3) years and shall begin and expire on the date of the New Unified Union District’s Annual Meeting. The following table establish the dates of the initial terms of office for directors of the New Unified Union District.

Initial Term	1 Year	2 Year	3 Year
Next Election	2019	2020	2021
Ludlow	1	2	1
Mount Holly	1	2	1
Total	2	4	2

Article 10: Vote to Form the Union School District

The proposal forming this Union School District will be presented to the voters of each town school district on November 28, 2017. The candidates for the new Union School District Board of School Directors will be elected on the same date, as required by law. Nominations for the office of union school director representing any district/town shall be made by filing with the clerk of that school district/town proposed as a member of the union, a statement of nomination signed by at least 30 voters in that district or one percent of the legal voters in the district, whichever is less, and accepted in writing by the nominee. A statement shall be filed not less than 30 nor more than 40 days prior to the date of the vote.

Article 11: Annual Budget and Australian Budget Voting

The New Unified Union District voters shall vote on the budget and other public questions by Australian ballot with polling places provided in each member town. Ballots will be counted in each member town and the results delivered to the New Unified Union District Clerk. The outcome of the vote shall be established by the majority of the votes cast.

Article 12: Operating Date

Upon an affirmative vote of the electorates of each district and upon compliance with 16 VSA § 706g, the New Unified Union District Board shall have and exercise all of the authority which is necessary in order for it to prepare for full educational operations beginning on July 1, 2018. The New Unified Union District Board shall, between the date of its organizational meeting under 16 VSA § 706j and June 30, 2018, undertake planning and related duties necessary to begin operation of the New Unified Union District on July 1, 2018, including preparing for and negotiating contractual agreements, preparing and presenting the budget for fiscal year 2019, preparing for the first District Annual Meeting, and transacting any other lawful business that comes before the Board, provided, however, that the exercise of such authority by the New Unified Union District shall not be construed to limit or alter the authority and/or responsibilities of the forming districts that will remain in existence during the transition period for the purpose of completing any business not given to the New Unified Union District.

Article 13: Forming Districts Cease to Exist

On July 1, 2018, when the New Unified District becomes fully operational and begins to provide educational services to students, the forming districts shall cease all educational operations and shall remain in existence for the sole purpose of completing any outstanding business not given to the New Unified Union District under these articles and state law. Such business shall be completed as soon as practicable, but in no event any later than December 31, 2018 when the forming districts shall cease to exist.

Article 14: Elementary School Choice

By July 1, 2018, the School Board shall adopt a policy providing a process for parents or guardians to request that their child attend any elementary school operated by the New Unified Union District. This elementary school choice policy shall consider issues including, but not limited to, transportation, socio-economic equity, proximity to the selected school building, attendance of siblings, and the relative capacities of the schools.

Article 15: Financial Analysis of Merger

By July 1, 2023, the School Board shall complete a detailed financial analysis of the merger of these districts, and shall publish a report of its findings and analysis to the public.

Article 16: Local Community Input

The New Unified Union District Board shall provide opportunity for local input on policy and budget development. Structures to support and encourage public participation within the New Unified District, such as school committees, will be established by the New Unified District Board or Modified Union District Board on or before June 30, 2018.

Appendices and Data

Town Demographic Data

These data come from the most recent US Census information.

Table 10: Town Demographic Data

	Ludlow	Mt. Holly
Total Population	1,963	1,237
Percent of Population Under 5	3.9%	4.0%
Median Age	49.5	47.7
Total Households	930	541
Family Households	507	361
Median Family Income	\$44,453	\$60,236
Individuals Below Poverty Level	14.1%	7.2%

2017 School Enrollment by Grade

Table 11: 2017 School Enrollment by Grade

Grade	Ludlow	Mount Holly	Black River
Pre-K	20	27	
KG	15	15	
1	13	17	
2	10	9	
3	13	17	
4	19	10	
5	15	10	
6	11	6	
7			22
8			23
9			20
10			29
11			30
12			11
Total PreK-6	116	111	
Total 7-12			135

October 17, 2017

Christopher B. Leopold
leopold@wrightjoneslaw.com

Meg Powden, Superintendent
Two Rivers Supervisory Union
609 VT Rte 103
Ludlow, VT 05149

Re: Proposed Ludlow-Mount Holly Unified Union School District Board Membership

Dear Meg:

I am writing regarding the proposal by the Ludlow-Mount Holly Act 46 Study Committee on behalf of the Ludlow Town School District and the Mount Holly Town School District to form a unified union school district. Specifically, you have asked us to review the proposed board membership of the Ludlow-Mount Holly Unified Union School District (“Unified School District”) and the requirements of the Equal Protection Clause of the United States Constitution.

The Act 46 Study Committee, formed under 16 VSA §706, has drafted Articles of Agreement for the formation of the Unified School District pursuant to the provisions of Act 46. Article 8 of the Articles of Agreement establishes the number of board members from each town in the proposed unified union. The proposed board of school directors adheres to the statutory requirement that each proposed town school district in the unified union be afforded at least one representative. State statute provides that: the proposed board may not exceed 18 members; each member district is entitled to at least one representative, and representation shall be proportional to population. 16 VSA §706b(9). The composition of the proposed eight-member school board is as follows: Ludlow – 4 members, Mount Holly – 4 members. The representation model utilizes what is commonly characterized as an at large “hybrid model”, meaning that school directors are nominated at the “town level”, but elected by the *entire electorate* of the Unified School District.

The at large “hybrid model” proposed by the Study Committee in Article 8 has been implemented by other union and unified union school districts in Vermont since 1975. The use of this model was first sanctioned and approved by the federal court in *Barnes v. Mount Anthony Union High School District*, 418 F. Supp. 845 (D. Vt. 1975). The *Barnes* Court held that when all school directors are elected by the electorate of the entire school district, adherence to strict proportionality is not required. The Study Committee’s proposed board representation proposal and population circumstances are similar to the *Mount Anthony* case.

School board representatives are specifically tied to the management of local affairs. In order to further the State’s goal of unifying school districts, critical conversations need to occur between school districts with established relationships. In this case, Ludlow and Mount Holly have a long established relationship being the sole member school districts in a union high school district

(Black River) since its inception. Often this will mean a grouping of districts with a wide variation in population that does not lend itself well to precise mathematics. In an effort to maintain the political subdivision of the member school district representation and continue to allow for progress towards unification, it is reasonable to conclude that mathematical exactness must be set aside. This is consistent with the Court's continued flexibility afforded to municipal government schemes.

The U.S. Supreme Court has accepted at large voting systems as constitutional. *Dallas County, Alabama v. F.D. Reese*, 421 U.S. 477 (1975). Also, see *Dusch v. Davis*, 387 U.S. 112 (1967). Although the Supreme Court decisions accepting disproportionality where representatives are elected "at large" do not specifically involve school districts (the *Dusch* and *Dallas County, Alabama* cases referenced above), these principles were applied to a school district board in *Baker v. Regional High School District No. 5*, 432 F. Supp. 535 (D. Conn., 1977). In that case, the U.S. District Court of the District of Connecticut, following the Supreme Court decisions in *Dusch* and *Dallas County, Alabama*, held that a plan for at large election of all nine school board members by the qualified electors of the district, with the requirement that three representatives come from each town, was not unconstitutional, even though one town contained 55 percent of the population of the district. The *Baker* case represents similar circumstances with Ludlow/Mount Holly and the Study Committee's proposal.

Several State Attorneys General have also reached the conclusion that where the "at large" method of election is used, proportionality is not required – even where there is a designated number of representatives from each of the member districts. See *Delaware Attorney General Opinion No. 87-104*, 1987 W.L. 2245344 (Del. A.G., 1987) and *Washington State Attorney General Opinion No. 6*, 1990 W.L. 505772 (Wash. A.G., 1990).

Based upon the above, it is our determination that there is a reasonable legal basis for a court to conclude that the proposed board representation model satisfies the requirements of the Equal Protection Clause of the U.S. Constitution.

Please feel free to contact me with any questions.

Sincerely,



Christopher B. Leopold

c: Donna Russo-Savage, Agency of Education



October 17, 2017

Christopher B. Leopold
leopold@wrightjoneslaw.com

Meg Powden, Superintendent
Two Rivers Supervisory Union
609 VT Rte 103
Ludlow, VT 05149

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Meg Powden, Superintendent
October 17, 2017
Page 2

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Please feel free to contact me with any questions.

Sincerely,



Christopher B. Leopold

c: Donna Russo-Savage, Agency of Education