Senator Baruth convened the meeting at 1:02 p.m. He explained his reasoning for canceling the last meeting. Senator Baruth said he would like to schedule an additional meeting in November. He added that two documents, from the Approved Independent Schools and submitted by Mill Moore, were provided electronically to the committee members. Senator Baruth said that one document is proposed revisions to the draft language on financial capacity and the other document is a series of bullet points of what an eventual structure of a path forward with Special Education services offered at an Independent School might look like.

**Item 1**
Senator Baruth asked Karen Price of the Vermont Family Network to address the committee.

**Item 2**
Senator Baruth asked Erin Maguire from CASE to address the committee.

**Item 3**
Senator Baruth said that the group will skip item 3 and address item 4.

**Item 4**
Senator Baruth asked Legislative Counsel, Jim DesMarais, to address the committee regarding the proposed language he drafted on financial disclosure. DesMarais reviewed the language with the committee and high-lighted modifications to the language as well as offered explanation to each modification. He identified a list of items or documents that the State Board of Education will use to affirm an independent school’s financial capacity. Senator Baruth asked if the State Board of
Education could ask for additional items or documents if it deemed what was provided to be insufficient to prove financial capacity. DesMarais answered yes.

DesMarais said that the draft includes language for an independent school to self-report if it lacks financial capacity. He added that there is language as well for the State Board to seek action if it reasonably believes there is financial impairment of an independent school.

Discussion followed. Senator Baruth ask Michael Livingston to bring the Council of Independent Schools’ rules regarding financial capacity to the next meeting.

Secretary Holcombe reached out to the Department of Financial Regulation (DFR) to ask their input on financial accounting of the private sector. She added that she shared the draft with DFR and asked for its feedback on the language. Secretary Holcombe said that their response was that the language as drafted is weak and the items or documents noted will not provide any assurance to the State Board of Education of an independent school's financial capacity.

Secretary Holcombe said that DFR recommends that the independent schools provide its most recent historical audited financial statements (to verify accuracy) and its quarterly unaudited financial statements (to verify current position). She said DFR said the latter are necessary in order to see where the school is trending. Secretary Holcombe added that otherwise, the state may learn too late to act to protect the public interest.

Secretary Holcombe said that DFR suggested the financial statements should include a balance sheet, a cash flow statement and an income statement. The documents need to be sufficient to show reserves compared to income in order to determine risk, i.e., at what rate is the school going through cash (the burn rate) in comparison to reserves/income. She said that DFR noted the student profile could be significant in determining whether enrollment is going up or down and redirecting future stability. Secretary Holcombe said that the purpose of the review is not only for an initial approval or renewal, but to trigger at which point between approval and insolvency the State discontinues paying tuition.

Secretary Holcombe said the DFR statute clearly sets out what actions DFR can take at different stages of financial health. For example, DFR has these tools:
1. Annual and ongoing monitoring through quarterly financial statements
2. Requiring addition of capital
3. Ordering company not to write more business
4. Requiring a bond
5. Access to a Guarantee Fund – funded by industry
6. Reserve requirement
7. Require merger

Secretary Holcombe said that the Agency of Education recommends the committee consider which of those tools translates to the independent school approval process, but it seems that at least the reserve or bond requirements are worthy requirements. These could be steps before State funding is withdrawn.
Discussion followed.

Senator Baruth asked Seth Bongartz to present the Approved Independent Schools’ edits to the proposed draft language on financial capacity. Discussion followed. Bongartz said that he would like to put the rest on hold and that there will be another set of edits to the language.

Senator Baruth asked Rick Gordon from the Compass School to address the committee.

The next meeting two meeting dates are listed below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
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<tr>
<td>November 3, 2017</td>
<td>1:30 p.m. – 3:30 p.m.</td>
</tr>
<tr>
<td>November 17, 2017</td>
<td>1:00 p.m. – 3:00 p.m.</td>
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Both meetings will be in room 10 at the State House.

The meeting adjourned at 2:56 p.m.

Minutes recorded and prepared by Suzanne Sprague.