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—For section.....Voices/Legislative Update  
—Format.....Opinions  
—Dateline.....Brattleboro  
—Article Number:.....43529



**Notes from editor (not for publication):**



HEADLINE ELEMENTS:

####BEGIN HED####

1 Legislation will allow Act 73 to start saving taxpayers  
2 money

####END HED####

####BEGIN SUBHED####

3 ‘Without this act, our state will likely be fighting an  
4 uphill battle against the will of the majority of Vermonters for  
5 many decades to come, eroding trust, and forcing the inequitable  
6 education system that we have in place to remain unchanged’

####END SUBHED####

7 TEXT BODY:

####BEGIN TEXT####

8 I’M WRITING TODAY to update you on legislation that  
9 recently passed out of the Vermont House and is now in the  
10 Senate.

11 H.955, a bill detailing the next steps in Act 73, sets  
12 Vermont on the path toward school district consolidation through  
13 a voluntary democratic process that will be guided by local  
14 communities and culminate in a vote of the electorate to decide  
15 the district governance arrangements.

16 This legislation was developed through many months of  
17 long hours, hard work, and intense discussions in the House  
18 Education and Ways and Means committees.

19 We received feedback from over 5,000 Vermonters who  
20 overwhelmingly rejected the idea of forced mergers but remain  
21 open to the possibility of transformative change if it is to include  
22 the voices of our local communities.

23 H.955 is the compromise that now allows Act 73 to  
24 actually move forward and begin saving our taxpayers their hard-  
25 earned dollars. Without this legislation, our state will likely be  
26 fighting an uphill battle against the will of the majority of  
27 Vermonters for many decades to come, eroding trust, and forcing  
28 the inequitable education system that we have in place to remain  
29 unchanged.

30 Neither the House nor the Senate had enough votes to  
31 force mergers, which created a political impasse with the  
32 legislation that we enacted last spring.

33 \* \* \*

34 YOU MAY HEAR that the Legislature is merely “kicking the  
35 can down the road” with just another study, and while I think it’s  
36 actually great to study things before acting, it’s not true in this  
37 case.

38 This is the first — and, so far, only — legislation passed  
39 in the House which actually gives Act 73 a viable path to move  
40 toward mergers. While we use the phrase “study committee” to  
41 describe how districts discuss a merger, as it is familiar from  
42 previous education governance work, it would be more accurate  
43 to describe these committees as a “work group” that will hash out  
44 the details of new mergers on a very specific timeline with an  
45 end result that is now within sight.

46           The bill will now move through the Senate, and it may  
47 face a Committee of Conference later in the session as we move  
48 towards its passage.

49           I am glad that we took the time to implement Act 73 the  
50 right way. Through H.955, we have found a way to put kids first,  
51 keep costs under control, and listen to local voices. This is  
52 careful, thoughtful multi-year work, and we are in year three of a  
53 six-year process.

54           \* \* \*

55           THE BILL RESTS on the creation of seven regional  
56 Cooperative Educational Service Areas (CESAs).

57           The core function of a CESA is to offer education services  
58 and support on a larger regional scale. The formation of a CESA  
59 helps member supervisory unions and school districts access  
60 specialized programs and technical assistance that individual  
61 districts (esp. small and rural districts) might otherwise need to  
62 purchase at a higher individual cost.

63           These CESAs will deliver services more efficiently,  
64 expand access to specialized programs, and coordinate  
65 transportation and back-office support, especially for small and  
66 rural schools. (We have one CESA in the state, and WSESD is  
67 already part of it.)

68           The bill also sets up a process and timeline for facilitators  
69 to work toward voluntary mergers across the state where there is  
70 a clear educational benefit, alignment with local priorities, and  
71 fiscal feasibility.

72           CESAs will be an important tool to achieve more  
73 immediate efficiencies, regional service sharing, and cost savings,  
74 while the voluntary merger process contemplated in this bill is  
75 happening statewide. This bill aligns with the goal of Act 73 to  
76 make intentional, evidence-based improvements to strengthen  
77 our public education system.

78           CESAs exist in many other states and they are a proven  
79 concept. We received testimony from national experts and many  
80 Vermont educators that CESA services offer opportunities for cost

81 savings and efficiency in special education, business and  
82 administrative services, professional development, curriculum  
83 coordination, and transportation.

84 Research from similar states shows that CESAs effectively  
85 improve access to services and reduce duplication.

86 The bill creates the seven CESA regional boundaries and  
87 the school district/supervisory union members within each. Each  
88 would be required to offer services in special education, business  
89 and administrative services, and union school district creation  
90 consultation and facilitation.

91 As John Bass, senior advisor to the Association for  
92 Educational Service Agencies, has written, CESAs “are the  
93 infrastructure that allows school systems to operate efficiently,  
94 deliver high-quality services, and ensure students — regardless of  
95 zip code — receive strong educational support.”

96 CESAs will increase statewide coherence and build  
97 regional capacity. Vermonters want increased efficiencies,  
98 educational opportunities, and cost savings in the present state  
99 while we work towards strategic mergers.

100 \* \* \*

101 THE SECOND MAJOR ELEMENT of this bill addresses school  
102 governance consolidation by quickly resourcing seven facilitators  
103 across the state to start merger study committees.

104 Facilitators will be assigned to each CESA region with  
105 recommended new districts; these regions will be required to  
106 collaborate to explore the advantages of school district  
107 consolidation.

108 The ability to form merger study committees exists in  
109 current law, and this bill follows that process once study  
110 committees are formed with facilitator guidance. Any new  
111 governance arrangements follow the process in current law for  
112 the study committee to analyze the advantages and disadvantages  
113 of a merger.

114 If a study committee concludes that a merger is  
115 advisable, the report goes to the Secretary of Education, the State

116 Board of Education, and then the voters of the school districts.  
117 The bill envisions that these merger questions will go to the local  
118 voters in the 2028 general election.

119 \* \* \*

120 FROM THE START of the conversation around education  
121 transformation, the idea that school district governance changes  
122 must come before a new education funding formula has been an  
123 often-repeated guiding principle.

124 We need to see transformation on the ground regarding  
125 school governance and improved scale before we can make the  
126 necessary adjustments to our education funding system. We need  
127 to put in place cost-savings measures as we move toward equity  
128 of funding.

129 The foundation formula will work best to deliver  
130 opportunities around the state if we continue to address the cost  
131 drivers that have led to increased spending around the state:

132 • *Health care*: The average premium increase in FY27  
133 teacher health insurance rates was 7.3%. This single-digit  
134 increase, the first since FY23, is largely the result of a  
135 combination of price-and-cost-control actions by the Vermont  
136 Legislature, state regulators at the Green Mountain Care Board,  
137 and the Vermont Education Health Initiative.

138 With reference-based pricing and Act 55, both passed  
139 last year, costs to the education fund have been reduced by at  
140 least \$20 million and [are expected to reduce costs](#) another \$100  
141 million over the next five years as reference based pricing is  
142 implemented.

143 • *Mental Health*: The cost of increased mental health  
144 support in our schools that we needed during the pandemic was  
145 paid for by the federal government in local budgets until 2023,  
146 when the costs shifted to the education fund.

147 Our new CESAs will enable districts to more easily seek  
148 integrated services from our system of designated mental health  
149 agencies (funded by the general fund, not property taxes) and  
150 draw down more Medicaid dollars.

151 Language added to the budget to modernize district  
152 Medicaid billing at the Agency of Human Services will also  
153 significantly reduce administrative costs and increase federal  
154 match.

155 • *Special education*: Special education is difficult to  
156 deliver effectively in smaller districts with limited resources, so  
157 many of our schools need to outsource these services at great  
158 cost to the state and with reduced accountability to families and  
159 communities. CESAs enable special education to be delivered at  
160 scale, with integrity, and at a reduced cost to the Education Fund.

161 • *Class-size minimums*: As implemented, class size  
162 minimums, passed in Act 73 last year, enable school boards and  
163 school administrators to move toward larger classrooms so staff  
164 time can be used effectively and kids can learn in a dynamic  
165 environment with diverse peer groups.

166 • *School facilities*: Many of our districts are maintaining  
167 decrepit infrastructure at great cost to taxpayers and without the  
168 long-term stability and improved educational opportunities that  
169 new construction would provide.

170 The school construction program in H.955 would enable  
171 us to take these costs off of district budgets and make strategic  
172 investments in our community infrastructure. Our state school  
173 construction program ended in 2007, and construction and  
174 maintenance has been inconsistent around the state since.

175 Much of the Education reform work in Act 73 is only  
176 able to be fully realized with the construction of new regional  
177 high schools, and the rehabilitation and expansion of many  
178 school buildings.

179 School construction work has been happening on a few  
180 fronts:

181 • Covering a district's existing debt service with a  
182 categorical grant.

183 • Support from the Agency of Education to scope, plan,  
184 prioritize, and approve construction projects around the state.

- 185 • New state bonding to cover a portion of existing
- 186 projects.
- 187 • A new state grant program to cover new district debt as
- 188 part of an approved strategic project.
- 189 • New supplemental district spending rules to cover
- 190 payment of bonds on new approved projects.

191 With Act 73, H.955, and other committee work, we've  
192 addressed cost drivers so districts will be able to better adapt to  
193 the foundation formula, and savings can be spread throughout  
194 the state — creating fair opportunities for all of our kids, no  
195 matter the zip code.

196 In addition to cost savings, we put in place multiple  
197 components to ensure district budgets can meet student needs.

198 \* \* \*

199 THE FOUNDATION FORMULA, passed in Act 73, guarantees  
200 steady resources for every child in every school.

201 The timing for the foundation formula aligns with the  
202 completion of the brokered voluntary merger process, and allows  
203 time for these new districts to draft a thoughtful budget.

204 We've included contingencies to ensure we've included  
205 the funding of special education, transportation, and other  
206 essential education costs, as well as further analysis in 2027 and  
207 2028, before the new finance system takes place.

208 \* \* \*

209 SOME DETAILS on the next steps for financings:

- 210 • *Reserve guidance: In navigating the last few years of*
- 211 *difficult education spending, it has become clear that every*
- 212 *district spends and retains any money beyond their current-year*
- 213 *budget in different ways.*

214 As we move toward fair budgets and fair opportunities,  
215 consistency is important. We also want to create consistency in  
216 the opportunities and consequences of district mergers.

217 At the request of the school business staff, we asked the  
218 Agency of Education to set clear reserve standards and guidance.

219           • *Pre-K*: The way we pay for pre-kindergarten doesn't  
220 match our policy goals or local district spending decisions.  
221 Through a series of three studies, we'll be able to set up a new  
222 payment scheme in the 2027 legislative session.

223           • *Special education*: Act 73 has updated funding for  
224 special education to account for how spending in current law is  
225 split between district budgets and state reimbursements.

226           In consultation with special educators, we affirmed that  
227 this work would meet federal rules.

228           • *Small and Sparse Schools*: The State Board of  
229 Education will update its rules for education quality standards to  
230 define criteria for schools to be considered "small by necessity"  
231 or "sparse by necessity."

232           Defining these terms will impact how many school  
233 districts receive school support grants under Act 73. These  
234 conversations around rurality and small schools can easily be  
235 politicized, so we've turned this topic over to the State Board to  
236 maximize public participation and data driven decision-making.

237           • *Transportation*: *Transportation equity is a key piece of*  
238 *any changes to governance, finance, or education delivery.*  
239 *Different districts now provide radically different transportation*  
240 *opportunities, there are school bus driver shortages, and*  
241 *practices for reimbursement from the education fund don't match*  
242 *the statute and rules.*

243           We received a report from the Agency of Education in  
244 2025 on school transportation that pointed to some next steps,  
245 and we need further information on costs and expenses to set a  
246 grant structure and standards in 2027.

247           Once we've stabilized spending with the foundation  
248 formula, we can make changes to the revenue side.

249           \* \* \*

250           H.955 ADVANCED two important pieces of property tax  
251 policy:

252           • *Tax classifications (second homes)*: The taxation of  
253 second homes at a different rate than primary homes or

254 commercial properties was initiated in Act 73, which the  
255 governor signed into law in 2025.

256 This year we were able to build on a comprehensive  
257 [report from the Dept of Taxes](#) in [H.955](#). A home that is lived in  
258 the majority of the year would be exempted (as a rental property  
259 or a homestead), and a property that isn't weatherized, like a  
260 camp or a summer house, wouldn't count as a "dwelling unit"  
261 and would also not be subject to this classification. Mixed-use  
262 properties have a specific treatment that mirrors existing law.

263 This work is on a long careful timeline (we aren't  
264 expected to set rates until 2029) and is part of our larger  
265 education and property-tax-reform efforts.

266 The increased revenue from the second homes tax would  
267 be used to lower homestead taxes.

268 It's really helpful to hear from Vermonters with specific  
269 scenarios so we can be sure to accommodate every eventuality in  
270 the guidelines and rule-making process.

271 While we do not yet have processes and data needed to  
272 successfully implement this tax today, we are finalizing language  
273 so that the Department of Taxes can do the administrative work  
274 and data collection necessary prior to this being a feasible tax to  
275 implement.

276 Final reports are aligned with implementing this new tax  
277 type simultaneously with the foundation formula and property tax  
278 credit changes, so taxpayers don't experience "whiplash" in their  
279 bills.

280 \* \* \*

281 WE HAVE A statewide education tax, and functionally a  
282 statewide grand list; however, our properties are valued very  
283 inconsistently across the state.

284 Regional Assessment Districts will create saving,  
285 efficiency, and equity in our reappraisal processes. Act 73 tasked  
286 the Department of Taxes to set up a working group and make  
287 recommendations to move forward with a regional assessment  
288 process rather than each municipality going at it on its own.

289 The Ways and Means committee has finalized language  
290 to move this work forward.

291 This legislation is step 3 in a multiyear process. And  
292 frankly, that is hard to do in a biennial Legislature with a divided  
293 government. The bill is currently in the Senate and we have  
294 negotiations with the governor ahead.

295 This legislation is complex by necessity; we are  
296 addressing a wide range of large and small details here. I  
297 encourage you to ask questions if you have any concerns about  
298 how it might impact your family or our community.

####END TEXT####

BIO/COATTAIL:

####BEGIN BIO/COATTAIL####

299 **EMILIE KORNHEISER**, a Democrat, represents the  
300 Windham-7 district in Brattleboro in the Vermont House of  
301 Representatives. Among other committee assignments, she chairs  
302 the House Committee on Ways and Means.

####END BIO/COATTAIL####

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