

Maine School Funding Model

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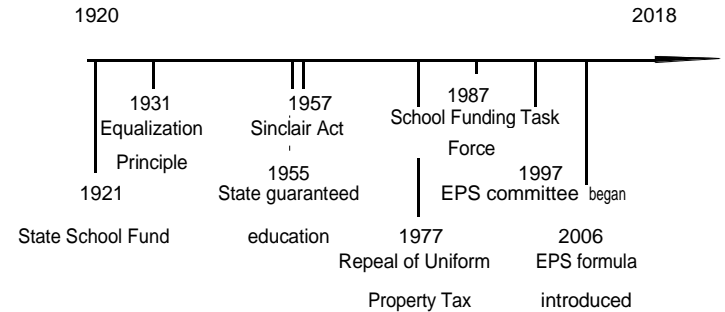
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History

Maine's current school funding model is the result of years of research, and analysis to determine how to best meet the needs of all Maine students, and how to fulfill statewide educational goals. To understand the current funding model, it is important to understand the work leading up to implementation of the EPS model.



Pre-Sinclair Act

Eight years after the Maine Constitution was established, the Permanent School Fund was established (1828) [1] using funds from sales of townships and distributing them annually between towns and plantations. Five years later, in 1833, the bank stock tax was dedicated to schools, becoming the first appropriation from tax money to aid schools. [1]

In 1872, the annual state tax of 1 Mil¹ was dedicated to the funding of schools through the School Mil Fund.[1] A year later in 1873, a 0.5% tax was levied on savings bank deposits and dedicated to schools to provide free high school education.[1] In 1909, another fund was added, the Common School Fund, with the revenues from a 1.5 Mil state property tax.[1] Nearly 10 years later the School Equalization Fund was established and funded through the Reserved Lands Fund, which was supported by the sale of grass and timber on reserved lands.[1]

It became clear that there were far too many funding sources, and they were consolidated down to one, the State School Fund. [1] This fund was then supported by a 3.33 Mil state property tax, income from Reserved Lands Fund, and the tax on Savings Banks and Trusts. [1]

In 1931, ten years after the State School Fund was established, a law was enacted to give communities of lower incomes additional support and assistance through the "equalization principle" whereby the State Treasurer

¹ Mil: Ad Valorem Tax Rate per thousand dollars of property value.

set aside \$20,000 each year from the State School Fund and deposited it in the "school equalization fund". [1] As the fund grew, the legislature created a basic model of distribution that consisted of three parts:

1. \$100 for each teaching position
2. \$3 per capita based on the school census
3. the "amount available" for "aggregate attendance".

[1]

Sinclair Act of 1957

As parts of Maine are exceptionally rural, making transportation challenging, the state was expending much more on highways than education. [2] Many of the rural areas were hurt by this as they faced poverty with limited access to education. In the early 1950s, the cities, towns, and plantations were divided by their valuations per resident school pupil into 9 categories. [1] Districts that were determined to be wealthier were required to fund a larger portion of their schools, while those who had less local funds received more support from the state. [1]

To guarantee that every child in Maine had access to education, the Sinclair Act was passed in 1957. This enacted legislation also created a minimum salary for teachers, beginning at \$1,500/ per year.[3] In addition to providing access to education and improving the salary of teachers, Senator Sinclair drafted the act to encourage schools to join together in districts to help bridge the gap in opportunities faced by students.[2] The Sinclair Act accomplished this goal by providing additional aid to schools who joined together as districts and by providing aid for each district to have at least a minimum level of funding.[2]

Rise and Fall of the Uniform Property Tax

The purpose of the Uniform Property Tax was to create an equitable way to pay for education. To do so, each school administrative unit was responsible to raise the same Mil rate. The state would then redistribute the money by reimbursing schools' expenditures. One problem that occurred during the time that the Uniform Property Tax was being utilized was that the Mil rate stayed consistent, but the cost of education was increasing leading to inefficiencies.

[11]

$$\frac{\text{State Valuation per Pupil}}{\text{Municipality's per Pupil Valuation}} - \text{Base Rate} \times \text{Number of Resident Pupils} = \text{Equalization Amount}$$

[1]

The above equation is an example of one of the earlier models used in the 1970s for school funding during the time of the Uniform Property Tax. It used a per pupil allowance as well as an estimate of ability to pay.

School Finance Act Part I

The School Finance Act coincided with the last few years of the Uniform Property Tax in the late 1970s. [5] The goal was for the State to reduce the costs that public schools create for homeowners and to shift the burden currently paid for by property tax revenue down to 40% by 1978. [5]

This initiative began in 1975 with the Legislature's intent of reducing the costs paid by property tax to 50%. [5] It also placed a limit on the local amount of property taxes. The Legislature believed that this restriction of funding would create more efficiencies in the local public schools. [5]

In 1976, it was required that less than 50% of the costs of education could be funded through property taxes and the rest must come from other state revenues not including the property tax. [5] The Legislature also planned to reduce spending on private not for profit schools. [5]

Finally, in 1978, the Legislature set the intention of more than 50% of school funding to come from the General Fund. They also used an annual expenditure review to determine allocations to public schools while making adjustments to include inflation. [5]

School Finance Act Part II

By 1985, the negative effects of reducing the spending on education were becoming clear. Instead of relying entirely on the expenditure-based model, the Legislature chose to return mainly to a per pupil basis for funding education. In portions of the formula where expenditures were still used, school units which spent above the state average were protected from large

losses by a provision to allocate up to 20% above the state average to those units. [4] This new methodology also provided more opportunities for school units which spent below the average to increase spending as the enacted legislation provided for funding up to the state average. [4]

In 1987 the School Funding Task Force was appointed, and the burden of funding schools shifted a greater portion to the state share, away from the local share. At this time, the School Funding Task Force decided to transition into including income as an indicator of a school administrative unit's ability to pay for education instead of relying solely on property valuation.

The Current Model

Through the 1990s, Maine's school funding formula remained dependent on school unit expenditure data model to determine how much each school unit's subsidy allocation should be for the following school year. This type of model has many flaws, including lack of timely data on which to base calculations, and provided no equity in the cost of education as school units with more fiscal resources spent more money, thus increasing the cost of education and their access to state funds, while school units with fewer fiscal resources were unable to increase their expenditures to attract more subsidy to support their students. [7]

In 1996, the Maine Legislature passed LD958, which directed the Maine State Board of Education to develop an implementation plan for the definition and funding of Essential Programs and Services. To fulfill this directive, the State Board established a committee which developed the conceptual framework for the plan. The work of this original committee ended in early spring 1997 because of insufficient funds to complete the plan. In spring 1997, the Maine Legislature passed LD1137 providing funding for continuing the committee work. With the passage of LD 1137, the Essential Programs and Services committee was reconstituted and resumed its work in July, 1997. [6]

Overview

Maine's Essential Programs and Services (EPS) are the programs and resources that are "essential for students to have an equitable opportunity to achieve Maine's Learning Results." [10] The EPS school funding formula enables all Maine students to access the same level of educational resources and support. The EPS school funding formula does this utilizing data reported by school administrative units to include student counts and demographics, staff information, and other costs such as transportation, debt, and maintenance.

<p>EPS for the school administrative unit less the <i>required</i> Local Share equals the State Share</p>

[10]

The EPS model is comprised of five major components: 1) pupil counts for PreK/K, grades 1-5, grades 6-8, grades 9-12 and specialized student populations³ 2) the EPS calculated Per Pupil Rate for each SAU 3) weighted amounts for specialized student populations, such as Economically Disadvantaged Pupils and English Language Learners(ELL) 4) the targeted amounts for: PK – 2 students, Student Assessment, and Technology Resources and 5) adjustments for small schools, adult education courses for secondary students, and equivalent instruction students participating in classroom instruction.[10]

Once an allocation has been calculated, the required local share⁴ must be determined. Components of the required local share are equalized state valuation of property, as calculated by Maine Revenue, and for multi-town districts, the percentage of subsidizable students for each town by town. The state valuation determines a community's ability to pay for it subsidizable students and that amount is measured against a statewide mill expectation, with no community being required to raise a local share greater than the product of the state valuation times the statewide mill expectation. [10]

³*Specialized Student Populations:* demographics reported from schools including students who qualify for free or reduced lunch, students in special ed. programs, etc.

⁴*Required Local Share:* The amount the local district must provide to receive full state allocation. If they do not raise the required funds the state will cut the state contribution by a proportional amount.

The Subsidy Printout (ED 279) Section 1

Section 1 of the calculation for funding public education in Maine is based on a two-year average of attending pupil counts, using counts for PreK-K, 1-5,6-8, and 9-12, aggregated into two categories of PreK-8 and 9-12.

These attending counts are then used to calculate EPS FTE⁵ ratios to determine the staff numbers that the schools need, based on their pupil count, to provide adequate staffing to achieve the Learning Results. Please note, these staff ratios do not include staff for Special Education, Career and Technical Education, Gifted and Talented, Transportation, or Child Nutrition as these programs are supported in the model via another calculation. The model calculation for staff is then compared to the actual number of staff a SAU employs to provide a percentage, by category, of SAU staffing for comparison to the model. This percentage is multiplied by the product of a salary matrix, a table which determines the salary by staff category and years of experience. This product is the total allocation for these categories of salaries, as determined by the EPS model, as necessary for a SAU to achieve the Learning Results.

In addition to salary support, the EPS model also provides support for staff member benefits. In this section, the model recognizes benefits for classroom teaching, guidance, library, and health staff equivalent to 19% of salary. For education and library technicians, 36% is the ratio of benefits to salary. The ratio for school clerical staff is 29%, and for school administrators, it is 14%. These benefit ratios were developed from actual expenditure data.

Additionally, the model allocates a per pupil amount for: substitute teachers, professional development, instructional leadership support, system administration, supplies and equipment, extra-and co-curricular activities, and operations and maintenance.

The final step to creating per pupil rates is the adjustment for labor market differences by regions across the state. The adjustments may either lower or increase the allocation obtained by adding salary/benefits and per pupil allocations. These adjusted allocations are then divided by the average attending pupils to obtain a per pupil rate for elementary and secondary students.

⁵*FTE:* Full Time Equivalent

Section 2

Section 2 of the ED 279 incorporates the per pupil rates calculated under Section 1 and "subsidizable" pupils⁶ including Superintendent Transfers⁷. The pupils are reported as of October 1, and include estimates for newly implemented or expanded PK programs.

Section 2-B multiplies the average number of pupils by their respective SAU EPS Rates from Section 1 to determine basic cost allocations. This calculation also includes allocations for homeschool students who participate in school classroom instruction, as well as allocations for secondary students participating in Adult Education coursework.

Section 2-C provides weighted allocations for specialized student populations as these student populations require additional resources in order to achieve the Learning Results. These weights are set forth in statute:

<http://legislature.maine.gov/legis/statutes/20-A/title20-Asec15675.html>

Section 2-D calculates targeted allocations for student assessment, instructional technology, early childhood, and disadvantaged pupils.

⁶*Subsidizable Pupils:* Students for which the SAU is fiscally responsible.

⁷*Superintendent Transfer:* Student(s) from one SAU who have documented permission to attend school in another SAU per agreement of both Superintendents.

⁸*Targeted Funds:* Funding weights which are required to be expended for specific programming.

The table below delineates the targeted funds for each category and grade level for Fiscal Year 2020, beginning July 1, 2019. The rates are updated annually for inflation while the weights may only be changed by legislative action.

Category	Grade level	EPS Weight	EPS Rate per Pupil
Student Assessment	4YO/PreK-12	-	\$50
Technology Resources	4YO/PreK-8	-	\$109
Technology Resources	9-12	-	\$327
4YO/PreK/K-2 Pupils	-	.10	
Disadvantaged	4YO/PreK/K-8	.05	
Disadvantaged	9-12	.05	

The final adjustment to complete the operating cost allocation under Section 2-E is the isolated small school adjustment. To be eligible, a SAU's individual school must meet these qualifications: PreK-8 must have fewer than 15 students per grade level with the nearest school greater than 8 miles away. Non PreK-8 schools must have fewer than 29 students per grade level as well as not having another school within 8 miles. The requirements for grade 9-12 schools are a bit different requiring that the furthest distance in a SAU to be less than 18.5 miles because students at that age are likely to be able to drive and travel a greater distance alone. Grade 9-12 school qualifications also require that the distance between the high school and the alternative high school be greater than 10 miles, and the school must have less than 200 students. Island schools qualify solely by being operated on an island.

The sum of the total calculations in each section is the operating allocation for the SAU.

Section 3

Section 3 of the ED 279 calculates allocations for the "other subsidizable cost" category, as well as debt service. Other subsidizable costs include: approved gifted and talented programming, special education, transportation, and approved bus purchases. Statute governs the calculation of each of these allocations and parts of the allocations rely on actual spending data as reported by the SAUs, adjusted for inflation.

<http://legislature.maine.gov/legis/statutes/20-A/title20-Asec15681-A.html>

In addition to other subsidizable costs, allocation is provided for the normalized cost of teacher retirement under Section 3-B. This allocation was previously supported by 100% state funds but, effective as of FY 2014, an initiative for the responsibility to support the retirement cost of active teachers to be shared between the state and school administrative units was approved and additional funds appropriated to GPA to cover the state share. The annual allocation amounts for reach SAU are provided to MDOE by the Maine Public Employees Retirement System for inclusion on the ED 279.

Section 3-C includes debt service allocations with debt service defined in statute for purposes of state subsidy as principal and interest costs for state board approved major capital school

construction projects, approved lease costs for school buildings, and insured value factor costs.

<http://legislature.maine.gov/legis/statutes/20-A/title20-Asec15672.html>

Section 3 concludes by adding all allocations from each page, to provide the total allocation to be distributed in Section 4.

Section 4

For school units consisting of more than one municipality, the EPS Total Allocation is distributed to each municipality based on their respective percent of average calendar year subsidizable pupils. The municipality's required local contribution to the of EPS is equal to the three year average of the municipality's certified state valuation or, the most recent certified state valuation, whichever is less, times the statutorily established mil expectation. If this calculation produces an amount greater than the total allocation for the municipality, the required local amount is the total allocation for that municipality. The state contribution by municipality (prior to adjustments discussed in Section 5) is the difference between the total allocation by municipality and the required local contribution by municipality.

Sections 5 & 6

Section 5 applies statutory adjustments to the state and local contribution. Subsection A adjustments decrease the local required contribution and increase the total state contribution. To receive any of these adjustments, a school unit must meet certain criteria, which is detailed in statute at the link below:

<http://legislature.maine.gov/legis/statutes/20-A/title20-Asec15689.html>

Subsection B details statutory adjustments to the state contribution. These include audit adjustments which may arise from a change in a school unit's data which could not be corrected in the year of occurrence or other one-time situation which necessitates the need to increase a school unit's state share or, in some instances, decrease it. The state allocation for Career and Technical Education is found in this subsection, as is the quarterly adjustment for a school unit's share of MaineCare Seed – the required local share of MaineCare revenue which the state pays on behalf of the school unit and then recovers through the ED 279. School units which are members of Education Service Centers will find their adjustment detailed in this section as well.

Subsection C provides a total state contribution, a state and local share percentage before and after adjustments, and data points which school units need for their budget warrants – the total amount of 100% EPS and a calculation of the adjusted local contribution by town (for school units consisting of more than one municipality).

Section 6 of the ED 279 is a monthly breakdown of fiscal year payments to be issued to the school unit, based on the ED 279 calculations.

Revenue to Support PK-12 Education

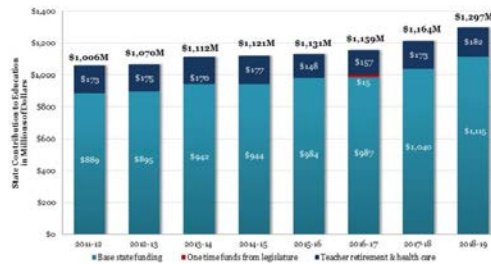
Maine's Constitution proscribes that the responsibility to educate students is a local responsibility. However, funds are appropriated to DOE to support PK-12 education from the state's general fund, which consists of revenue from sales tax and income tax. A portion from casino proceeds are also appropriated to support

Summary

The enactment of the EPS model in 2006 allowed for a way to define the total cost of education and work towards the goal of increasing the state's share of that to 55%. A chart entitled "State Contribution of Funding Public Education from Kindergarten to Grade 12 is provided at the link below to show that progression through fiscal year 2019:

<https://www.maine.gov/doe/funding/historical>

The graph below also depicts growth in state funding over the last eight years:



In response to Legislative concerns regarding Maine's school funding model, the Legislature commissioned an independent review of the funding model, which was published in 2013. While this review did offer some possible alternatives to the current distribution model, overall, the review found Maine to have one of the most equitable formulas in the country.

Additionally, each component of the EPS model is required by statute to be reviewed every three years by Maine's Education Policy Research Institute (MEPRI). Through data gathering and analysis, MEPRI prepares reports of findings and policy recommendations for Maine's Commissioner of Education who in turn, may craft legislation to initiate any needed changes to the funding formula. Only after careful analysis and modeling would changes be recommended as, due to the number of variables in the funding formula, changes may elicit unintended consequences.

Additional information regarding EPS may be found here:

<https://www.maine.gov/doe/funding/gpa>

References

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