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Senate Legislative Record
One Hundred and Twenty-Second Legislature

State of Maine

Daily Edition

Second Regular Session
January 4, 2006 to May 24, 2006

Pages 1382 - 2139

On motion by Senator **DAVIS** of Piscataquis, **TABLED** until Later in Today's Session, pending **ADOPTION** of Committee Amendment "A" (H-822) as Amended by Senate Amendment "A" (S-592) thereto, in **NON-CONCURRENCE**.

The Chair laid before the Senate the following Tabled and Later (4/11/06) Assigned matter:

SENATE REPORTS -from the Committee on **EDUCATION AND CULTURAL AFFAIRS** on Bill "An Act To Further the Implementation of the Essential Programs and Services Funding Model"

S.P. 683 L.D. 1766

Report "A" - **Ought to Pass as Amended by Committee Amendment "A" (S-566)** (10 members)

Report "B" - **Ought to Pass as Amended by Committee Amendment "B" (S-567)** (2 members)

Report "C" - **Ought Not to Pass** (1 member)

Tabled - April 11, 2006, by Senator **DAVIS** of Piscataquis

Pending - motion by Senator **MITCHELL** of Kennebec to **ACCEPT** Report "C", **OUGHT NOT TO PASS**

(In Senate, April 10, 2006, Senator **MITCHELL** of Kennebec withdrew her motion to **ACCEPT** Report "A", **OUGHT TO PASS AS AMENDED BY COMMITTEE AMENDMENT "A" (S-566)**. On further motion by same Senator, Report "C", **OUGHT NOT TO PASS ACCEPTED**. On motion by Senator **RAYE** of Washington, **RECONSIDERED**.)

THE PRESIDENT: The Chair recognizes the Senator from Washington, Senator Raye.

Senator **RAYE:** Thank you, Madame President, men and women of the Senate. I rise in opposition to the pending motion. It is important that we defeat this motion because this is the Senate's opportunity to address the inequities that current law imposes regarding a labor market index within the Essential Programs and Services formula. You will note from the handouts that have been distributed by the Senator from Waldo, Senator Weston, that those inequities are real and they have significant consequences in many of our communities across this state. We must not codify existing income disparities that will make it impossible for many of our schools to ever compete for the teachers that we so desperately need. Let's stand behind the long-held fundamental principle of Maine's historic commitment to insuring an equal education, no matter where in this great state one may live. Please join me in opposing the pending motion.

THE PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator Mitchell.

Senator **MITCHELL:** Thank you, Madame President and distinguished colleagues in the Senate. Very briefly. The concern that is being raised here is what's fondly called labor market areas. The bad news is that labor market areas reflect in

our school funding how things really exist out in the marketplace, not what they should be. Communities have the opportunity to raise those salaries that are impacted by labor market areas by increasing those salaries that get fed into the Essential Programs and Services formula. Those of you who are concerned about this, soon you will have an opportunity to increase the wages of teachers. That is the clearest way to change the reality of these labor market areas that are impacting your schools. The other sad proof is that it is not one of inequity, but rather it is an attempt for the state to define what is the cost of Essential Programs and Services. Part of that is the cost of paying your personnel. You are not forever frozen, as the good Senator suggested, at a lower wage rate. That is simply not the way the formula works. The truth of the matter is, at this point, should one move the labor market areas at this state of the game there are two ways to do that. That would be to rerun the entire school allocations, assuming the pie is the same and I look to my good friends on the Appropriations Committee who tell me there is no more money. My belief is this is what would happen. That same pie would have to be reallocated, affecting every school district in the state. There would be some winners and there would be some losers. Those school budgets that have already been voted on at home would have to be reopened. Is that fair?

In our committee we have people who come from high labor market areas as well as low labor market areas. They would be very distressed to learn that, simply because they pay their teachers a high wage and that they live in an area of the state where housing costs are very high, they would have to give back what it actually costs them to pay teachers to help those units which in most cases are very high receivers of state aide, the ones who would get more state aide. That's one option. The other option is to add more money and frankly I have no idea how much more that would be. We'd have to recalculate everything. If you think you are in the middle of the labor market areas and it wouldn't impact you, it really isn't true because it might cost us to have to raise that mill rate which is the minimum effort everybody has to make. This is a very far-reaching thing.

The only comfort I can offer to my good colleague from Washington County is that the top item on our list is to find if there is a better way to do labor market areas. This is not something we made up as a committee. It comes from the Department of Labor. It is, in theory, a reflection of what it cost to live and do business in certain areas. Is there a better way? That is the top issue for the institute that we've hired through the university to evaluate issues of note. That will be there. I would encourage you to think very carefully and would encourage you to vote Ought Not to Pass knowing that this issue is very real to many communities, that there is a great deal of sympathy, but there has also been an effort to address many of the inequities there are spoken of here. The transportation budget was increased so that rural communities get the better of actual mileage so they get the better of that. Extra money was put in for small rural schools. We're running as fast as we can to make this as equitable as possible. We're also moving towards that 55% statewide for school funding. This is not the way to fix the problem, although I'm sympathetic to your concerns. I encourage you to vote with me on Ought Not to Pass.

THE PRESIDENT: The Chair recognizes the Senator from Somerset, Senator Mills.

Senator **MILLS**: Thank you, Madame President and men and women of the Senate. This has been an ongoing discussion between myself and Professor Silver now for about three years. When I first heard that they were going to take existing salary data as the base in each case from which to go forward and fund EPS I was deeply distressed. The effect of the formula would be to freeze existing patterns of under funding in some districts and perhaps over generous funding in others. I thought the whole purpose of EPS, as was with the previous formula, was to distribute funds on the basis that they would be there to help districts who do not have the resources with which to help themselves. I'm afraid that has not happened. One of the biggest reasons that L.D. 1 suffered what I have called the dead cat bounce last February when we produced it was that we were discounting the state's share of its distribution to 84%. We were discounting the state's share by 16%. There was a percentage reduction built into the formula of about 16% so that very high receiving districts were suffering something close to a 12% to 14% loss below what Essential Programs and Services required. On top of that we told certain districts that their teachers were only worth 84% of what they were worth in other regions. You had the percentage discount actually multiplied times the labor market survey data with regard to salaries. You had a double-whammy hitting some districts that weren't well favored by the labor market system.

There are good reasons to vary the assumed salaries of teachers from one district to another. My view is that there is only one such reason and that is the difference in housing costs. Every other cost of living, every other element of the household budget, is pretty much the same from one area to the other. Food, gasoline, heating fuel, or clothing, there may be minor differences of course, but they don't vary greatly. Housing costs do. The problem with our existing salaries that we pay teachers is that they don't vary by the difference in housing costs; they vary depending on whether you have a papermill, a lakefront, or an oceanfront in your town. A town that has a lot of saltwater property pays its teachers a whole lot more than a town that doesn't have high value attributes. That's that basis and that's the very distinction that the school funding formula should seek to eradicate.

I just think we need to get this thing out in the open. We need to fix it sooner rather than later because by delaying the implementation of EPS over a 4-year phase-in, rather than doing it in one or two years as I had proposed, because once we get to a full 55% funding of the formula you will not be able to make large scale adjustments without raising Cain all over the state. As they say, the losers always whine louder than the winners sing. We will not get the job done. The time to fix this defective formula is now, maybe not this year but next year, so that we can start fixing it at a time where there is new money flooding into the system. I'm just very distressed that we adopted a defective system in the first place. I think it was one of the major reasons why there was such widespread public dismay at the arrival of L.D. 1. I fought it as hard as I could. The problem you have is that this isn't a well-understood issue and it's hard to garnish support for it. I'm just very glad that the Senator from Washington, Senator Raye, brought this issue out into the open. I know that there are members of the Education Committee who are sensitive to this issue. Until we get it onto the floor of the Senate and start talking about it publicly, it's very hard to put pressure on people to start doing it right. That's why I support the amendment. Thank you.

Same Senator requested a Roll Call.

THE PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Turner.

Senator **TURNER**: Thank you, Madame President, ladies and gentlemen of the Senate. First of all, I support the motion before us, which is Ought Not to Pass. I do agree with a number of things put forward by the Senator from Somerset, Senator Mills. For example, he said this a very complex undertaking. Most of the people in this chamber, if we sit and talk about this for three or four hours, will still not have a good understanding of the EPS school funding formula. This is not the place or the time to be making wholesale changes to it, which is why I support the motion before us. The plan of the Education Committee is to look at this element and come back to the 123rd in January with changes to this aspect of the school funding formula. It is not, as the Senator from Washington, Senator Raye, categorized it a formula that disadvantages and forever holds his Senate district in economic bondage because they happen to pay lower salaries than some other places.

In the fullness of time, as we've looked at this funding formula we have been able to make a whole series of changes to correct inequities. We were able to unbed in the supplemental budget just passed, for example, a mechanism that deal with spikes in assessment. That's a good thing. That's one of the things that, frankly, hurts Washington County. For many years the real estate values languished. In the past year or so they have been going up at the rate of 30% to 35% a year. No matter how you slice a school funding formula the two drivers are always the number of students and property evaluation. In the case of the Senator from Washington, Senator Raye, he's been hurt in both ways because the evaluations have gone up significantly and the student enrollments have gone down significantly. I think the best way to deal with this is to allow the committee to work it, work it aggressively, and come forward with a reasonable proposition that everybody understands and can be in a position to support based on knowledge and understanding as opposed to emotion. Again, Madame President, I would encourage support of the pending motion.

On motion by Senator **MILLS** of Somerset, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

THE PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator Gagnon.

Senator **GAGNON**: Thank you, Madame President, men and women of the Senate. Just to be sure that people understand that there are some people who are singing the phrases of L.D. 1. I've been in the legislature for almost ten years now. I came here with the effort to try to do something about property taxes. Last year my community, the city of Waterville, for the first time in my 25 years of living in that city, had a tax decrease. We went from one of the highest rates in the state of Maine, somewhere around 28 mills, and were able to cut taxes last year by not quite a mill. It was the first time we've seen a tax cut in the city of Waterville. In today's local paper, The Morning Sentinel, the city council has decided to lower taxes by one full mill in the city of Waterville as directly related to L.D. 1. Thank you.

THE PRESIDENT: The Chair will remind members to speak to the motion at hand. The Chair recognizes the Senator from Waldo, Senator Weston.

Senator **WESTON:** Thank you, Madame President, men and women of the Senate. I used to dream of the day when Essential Programs and Services would be rolled out because our discussion was that all children would receive a quality education, no matter where they lived. We would decide what was essential and what was necessary. We would decide how much it costs to provide that essential education. Those towns and districts who couldn't muster that amount would be subsidized by the state. What we got was something different than that.

In the town of Waldo, in the county of Waldo, that particular town is part of MSAD 3 even though the town itself borders the city of Belfast, which is MSAD 34. A teacher beginning in MSAD 3 will start at the minimum of \$7,000 less than MSAD 34. They are going to be continually be punished because MSAD 3 is a more rural district. If you look at their printouts you will see that they have to subtract because they pay their teachers less. The dream and the hope of Essential Programs and Services was not to keep these schools down, but to be able to have them offer more and be able to compete for those top quality teachers. My husband is an elementary principal and he loses teachers almost annually to these nearby districts. I know that every year I've been here we have stood and said the school funding formula is too complicated for us to deal with and we must let this go and let the committee take it up another time. My hopes have been diminished in what we've seen and the promises I gave my school districts have seemed to fallen empty. I'm going to urge you not to support the motion before us, but especially if you have a rural district, I would ask you to reconsider this motion and to on to something that could possibly be presented soon that would correct this and not make our school districts bound for this downwards spiral. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Aroostook, Senator Martin.

Senator **MARTIN:** Thank you, Madame President and members of the Senate. I obviously represent rural Maine. It's about as rural as it comes. I understand the issues that have been laid out for us this morning. One of the problems we have is the fact that in many of the school districts the school boards refused to pay their teachers and have constantly held the salary of teachers down. I say that as a person who is on a school board, who is the chief negotiator for the board, and has constantly fought to raise the salaries for our beginning teachers. I can't have a better argument today than the argument I've just heard to raise the minimum salary for teachers. Then it will, in fact, help those municipalities get more money from the state. I look at Washington, Piscataquis, Northern Penobscot, and rural Aroostook. If you look at the beginning salaries for teachers at \$22,000, is it any wonder that we're losing teachers to other districts? We had no choice because we were losing them to Madawaska. If we wanted to keep our teachers, we had to pay them. It's made a difference. I think it's clearly an issue that is very local. I'm not at all the believer of the system of where we are in our payment schedule and reimbursement formula. I'm not sure I'm there all the way with some of the proponents of it, but I do see the benefit of where it can go. I have problems with the

labor market. I'm just glad that the committee choice the old labor market than the new labor market proposed by the Department of Labor. That's going to have to change as well because this entire state has been redone in terms of labor market. We need to be concerned about that. The one thing I don't see is deciding at this point that we're going to send out new figures for school districts because we're there and we have made out budgets and plans on what we are going to get. We need to keep working at this system and improving it next year, but I will simply say to Waldo to raise your teacher's salaries.

THE PRESIDENT: The Chair recognizes the Senator from Washington, Senator Raye.

Senator **RAYE:** Thank you, Madame President, men and women of the Senate. I just wanted to respond to a couple of things that have been said by my good colleagues here. With regard to the cost of living, there is more than housing at play. I would point out that residents of Washington and Aroostook Counties, and this has been confirmed by a study recently done by the Attorney General, are paying 20¢ to 25¢ more per gallon of gasoline. They similarly pay more for home heating oil. These are parts of the state where incomes are low, so those things need to be factored in as well. I wanted to also respond to my friend, the good Senator from Kennebec, Senator Mitchell, who is also the chair of the Education Committee, with respect to the comments that she made about changing this years formula. There is no proposal before us to do that. I would not propose to do that. I just wanted to make sure that it is on record here in the Senate that this is not part of this discussion. I would close by urging you to defeat the motion so we can move on. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Turner.

Senator **TURNER:** Thank you, Madame President, ladies and gentlemen of the Senate. I want to address comments to the Body as a whole, but I must take issue with some of the things suggested by my good colleague, the Senator from Waldo, Senator Weston. First of all, the Maine Learning Results and Essential Programs and Services funding mechanism, if you like the term use it, if you don't it is reality. This is an inadequacy funding model that says that we want to provide an equal opportunity for children in Waldo County, Cumberland County, Kennebec County, Penobscot County, or Washington County with an opportunity to meet the Learning Results. That is a pretty arduous standard that we have set for our children on a go-forward basis. Within L.D. 1, if you wish to allocate more money as a municipality, you have the option of doing that by going before your voters and saying that meeting the Maine Learning Results is enough for you and you want to spend more. You would then take your risk with the voters in trying to insure that this money actually gets allocated. The obligation of the state, under the Maine Learning Results and the Essential Programs and Services funding mechanism, is to insure that everybody has an opportunity to meet the Maine Learning Results. Not to far exceed them or exceed them at times, but to meet them.

I was criticized by a Superintendent in my district. He said, 'Inadequacy funding model, that's unacceptable. We should be scheming to always succeed.' Wonderful suggestion that would cost us boatloads of money. Again, I urge you to allow the Education Committee to continue to do its work with respect to

Essential Programs and Services and bring something forward when we fully understand the implications of it financially and the impact on all of our various areas of the state as we have done with several elements within the school funding formula that came out of L.D. 1 fifteen months ago. We have worked hard and have made a number of changes to it. Taking and gutting this particular aspect of it is a big mistake, in my opinion. Again, I urge you to support the pending motion. Thank you very much, Madame President.

THE PRESIDENT: The Chair recognizes the Senator from Androscoggin, Senator Nutting.

Senator **NUTTING:** Thank you, Madame President, ladies and gentlemen of the Senate. I will try to be brief because I don't know how long my voice can last. I've got to kind of agree with the good Senator from Kennebec, Senator Mitchell, about running as fast as we can. My position, though, is that we need to run away from EPS as fast as we can. In a previous school funding formula, offered by myself and the good Senator from Somerset, Senator Mills, teachers salaries were based on your ability to pay. If you had only a \$150,000 valuation per student, you got extra money to make up the difference so you could try to compete. Under EPS, as I've looked through this handout, if you have \$1 million valuation per student you pay your teachers more and the new formula rewards you for doing that, for having that huge valuation per student. Your number is 1.12 or 1.08. As I look at these school districts in Maine that have the highest actual mill rate effort per student, that's rural Maine, they are always at .82 or .88. They are penalized for that. What this does, by using a labor market, is rewards those that have high valuations per students. To me the proof is in the pudding, so to speak. It's very sad. Now, for the first time ever in the state of Maine, we have 100 school districts that have 1/3 the mill rate effort for education as the poorest 100 school districts. We've never had that before. That, in my opinion, has largely been created by EPS. I can't support this motion and I just wanted to explain why. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator Mitchell.

Senator **MITCHELL:** Thank you, Madame President and colleagues in the Senate. I will be brief, but I want to bring the discussion back. I've very fortunate, my communities are basically in the middle. We're not to the extremes that the communities feel that they are disadvantaged by this formula. We're not enriched by the formula. I have the advantage of chairing the committee and also have presided over several wars in dividing up school funding. That is what this is about. I am encouraging you to think as a community today. Many of you who have spoken against the current formula receive over 60% to 70% of your funding from the state. We're trying to give you more by going to 55% state funding. Should this motion fail the only thing left to do, if there is no new formula being done, is to ask for some more money from somewhere, I don't know where, or to go back and take it from those communities who raise most of their money on their own. There is no other way. I look at the salaries. As my good colleague from Aroostook, Senator Martin, mentioned, almost all of those people who are concerned about the labor market area have pathetically low salaries for their teachers. I know that you are saying that this is true because you have no ability to raise those funds, but I would point out to you

that you are getting 60% to 70% of your funding from the state now and perhaps it is time to take a look.

This bill, this proposal, the labor market thing, has nothing to do with teacher retention or recruitment. You are going to have to face that issue head on some other way. What it does is looks at what things are, as they exist, not what we want them to be. Money is being given to rural areas. If the chose to raise those salaries as one of their goals, they can do that and more money continues to flow. I would request that you think as a community, that you think of schools from the so-called wealthiest schools, from the property rich parts of the state, to those who feel that they have no property valuation. This bill tries to serve all of our kids. I hate to see it turned into a rural versus urban or north versus south. It isn't that. I implore you to vote with the Ought Not to Pass and let's deal with teacher recruitment and retention in Waldo and other places in a more appropriate way and come up with a better proxy, if you have one. As has been mentioned, housing costs do drive many of the differences in the labor markets. Is it perfect? No, but not one of you came to our committee, no one came from any place, to give us a better proxy. Until you have a better answer I think it's important that you do think as a community for all the kids, whether they are from Cape Elizabeth or from Van Buren. It's very important. Please vote Ought Not to Pass and let's continue to improve this formula to make education better for all our kids.

THE PRESIDENT: The pending question before the Senate is the motion by the Senator from Kennebec, Senator Mitchell to Accept Report "C", Ought Not to Pass. A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

ROLL CALL (#425)

YEAS: Senators: BARTLETT, BRENNAN, BROMLEY, BRYANT, COURTNEY, COWGER, DAMON, DIAMOND, GAGNON, HOBBS, MARTIN, MAYO, MITCHELL, NASS, PERRY, ROTUNDO, SCHNEIDER, STRIMLING, SULLIVAN, TURNER, THE PRESIDENT - BETH G. EDMONDS

NAYS: Senators: ANDREWS, CLUKEY, DAVIS, DOW, HASTINGS, MILLS, NUTTING, PLOWMAN, RAYE, ROSEN, SAVAGE, SNOWE-MELLO, WESTON, WOODCOCK

21 Senators having voted in the affirmative and 14 Senators having voted in the negative, the motion by Senator **MITCHELL** of Kennebec to **ACCEPT** Report "C", **OUGHT NOT TO PASS, PREVAILED.**

Sent down for concurrence.

Senate at Ease.

Senate called to order by the President.