

“Cost Savings” or Unsupported Assumptions?

The cost savings projected in the Governor’s proposal are based upon unsupported estimates and assumptions. Some of the assumptions and percentages used to calculate the projected savings were described by a representative of the Department as arbitrary numbers.

Specific details have **not** been fleshed out regarding the actual savings that can be expected. In fact DOE has done no modeling to show the impact of regionalization on the educational costs in the proposed regions.

For example:

The \$186 per pupil allocation proposed for system administration at the regional level was calculated by taking the 2006 state average per pupil system administration expenditures of \$372 and dividing it in half.

Why divide it in half? According to the Department this process was used because it resulted in a number that was reasonably close to the national average cost for school system administration.

DOE then multiplied the \$186 figure by 3.2% for inflation to establish an adjusted figure of \$204 for regions with 2500+ students in 2009.

The \$186 per pupil allocation was increased by one third (1/3) to \$248 for regional systems with fewer than 2500 students. This figure was increased by 3.2% to \$272 for 2009. When asked how they decided that \$248 was the right number for smaller systems the answer was that it was an “arbitrary minimum” that might be needed in the smaller regions.

Other issues with the Department’s calculations or lack of calculations:

The Department has not developed a model or template for determining the actual staff that will be required to administer the various regions.

The Department’s calculations have **not** taken into account current obligations of existing school units that will be assigned to the new regions (e.g. multi-year contracts, local debt service).

There has been no consideration given to the severance and unemployment costs that will be incurred by laying off existing school personnel.

The Department has not calculated the costs that will be incurred to merge all the collective bargaining agreements within the regions.

The increase in teacher/student ratios represents a 6% decrease in State support of teachers at the middle school level and a 12% decrease in State support of teachers at the high school level. This represents a significant tax shift from the State to the local level which will require increased property taxes to avoid teacher layoffs.

The Department has projected the following savings in the areas of system administration, special education, transportation, and facilities and maintenance: 5% in 2009; 2.5% in 2010, and 2.5% in 2011.

There was no research on which the projected savings were based in the area of special education, except the anecdotal experience of the Commissioner when she was Superintendent in Windham. The Department's response was that the savings could be "assumed" from the type of consolidated structure being proposed.

There continue to be numerous questions regarding the handling of existing local only debt and lease purchase obligations within current school systems.

The Governor's original bill did not contain a mechanism to legally establish the new board composition within the new regions.

After spending a couple of hours with a representative from the Department it became obvious that the proposed savings are not based upon solid calculations but upon many unsupported assumptions.

A myth is being perpetuated that the \$250 million in savings can be achieved by eliminating unnecessary superintendent positions. The truth is that if all superintendent positions were eliminated the total salary savings would be in the range of \$13 million per year. Even assuming that the "projected savings" of \$80,000,000 per year could be achieved, that would represent about a 2% reduction for the local property tax payer.

The Governor's plan is not a real solution to Maine's high property taxes. On the contrary, it appears that school administrative costs are being used as a politically expedient scapegoat for Maine's high property tax burden.

Savings in Expenditures (State and Local)

SAVINGS	YEAR 1 2007-08	YEAR 2 2008-09	YEAR 3 2009-10	YEAR 4 2010-11	TOTAL
SYSTEM ADMIN.					
		\$204/\$272	\$211/\$281	\$218/\$290	
Total:	-	\$41,389,694	\$41,389,694	\$41,389,694	\$124,169,082
Local 45%:		\$18,625,362	\$18,625,362	\$18,625,362	\$55,876,087
State 55%:		\$22,764,332	\$22,764,332	\$22,764,332	\$68,292,995
SPECIAL ED					
		5.0% Reduction	2.5% Reduction	2.5% Reduction	
Total:		\$14,039,537	\$20,708,317	\$27,210,378	\$61,958,232
Local 45%:		\$6,317,792	\$9,318,743	\$12,244,670	\$27,881,204
State 55%:		\$7,721,745	\$11,389,574	\$14,965,708	\$34,077,028
TRANSPORTATION					
		5.0% Reduction	2.5% Reduction	2.5% Reduction	
Total:		\$5,538,182	\$8,168,818	\$10,733,688	\$24,440,688
Local 45%:		\$2,492,182	\$3,675,968	\$4,830,160	\$10,998,310
State 55%:		\$3,046,000	\$4,492,850	\$5,903,528	\$13,442,378
FACILITIES & MAINT.					
		5.0% Reduction	2.5% Reduction	2.5% Reduction	
Total:		\$12,001,186	\$17,701,749	\$23,259,798	\$52,962,733
Local 45%:		\$5,400,534	\$7,965,787	\$10,466,909	\$23,833,230
State 55%:		\$6,600,652	\$9,735,962	\$12,792,889	\$29,129,503
TOTAL					
Total:		\$72,968,599	\$87,968,578	\$102,593,558	\$263,530,735
Local 45%:		\$32,835,870	\$39,585,860	\$46,167,101	\$118,588,831
State 55%:		\$40,132,729	\$48,382,718	\$56,426,457	\$144,941,904
EPS Allocation for no less than 1.0 FTE principal					
	\$0	\$7,228,136	\$7,459,436	\$7,698,138	\$22,385,710
		\$65,740,463	\$80,509,142	\$94,895,420	\$241,145,025
	45%	\$29,583,208	\$36,229,114	\$42,702,939	\$108,515,261
	55%	\$36,157,255	\$44,280,028	\$52,192,481	\$132,629,764

Savings Achieved Through RSLs Administrative Restructure

Savings from the RSLs administrative restructure are projected in four major categories:

1. System Administration – Superintendents and Support Staff
2. Special Education Services
3. Transportation
4. Operation and Maintenance of Plant

System Administration

State and local spending projected to save \$124.2 million during the first three years of implementation

Assumptions:

- Reduce most recent (FY'06) reported expenditures for system administration from approx. \$372 per student to be more in line with national norms (Recommendation of the Brookings Institution "Charting Maine's Future" page 109)
- EPS allocation provided for the new Regional Learning Communities will be \$186, inflated to \$204 for FY'09, per student for units over 2500 students and \$248, inflated to \$272 for FY'09, per student for new units with 2500 or less students
- Current FY'07 EPS allocation for system administration is \$348 per pupil regardless of size and is reflective of costs associated with today's 290 school administrative unit structure served by 152 system administrations

Detail of System Administration Savings

	FY'09	FY'10	FY'11	3Year Total
Total State/Local	\$41.4M	\$41.4M	\$41.4M	\$124.2M
State 55%	\$22.8M	\$22.8M	\$22.8M	\$68.3M
Local 45%	\$18.6M	\$18.6M	\$18.6M	\$55.8M

Special Education

State and local savings of \$61.9 million are projected through more efficient use of resources, staffing flexibility, more effective and efficient in system placements, and programs when provided by the new Regional Learning Communities.

Assumptions:

- Reduce most recent (FY'06) reported expenditures, inflated to FY'09, for special education by 5% in FY'09 and an additional 2.5% in each of FY'10 and FY'11

Detail of Special Education Savings

	FY'09	FY'10	FY'11	3Year Total
Total State/Local	\$14.0M	\$20.7M	\$27.2M	\$61.9M
State 55%	\$7.7M	\$11.4M	\$14.9M	\$34.0M
Local 45%	\$6.3M	\$9.3M	\$12.2M	\$27.8M

Transportation

State and local savings of \$24.4 million are projected through more efficient management of transportation systems in the new Regional Learning Communities - a regional approach to maintenance/bus garage, routing, fleet management, and common calendars, etc

Assumptions:

- Reduce most recent (FY'06) reported expenditures, inflated to FY'09, for transportation by 5% in FY'09 and an additional 2.5% in each of FY'10 and FY'11

Detail of Transportation Savings

	FY'09	FY'10	FY'11	3Year Total
Total State/Local	\$5.5M	\$8.2M	\$10.7M	\$24.4M
State 55%	\$3.0M	\$4.5M	\$5.9M	\$13.4M
Local 45%	\$2.5M	\$3.7M	\$4.8M	\$11.0M

Facilities Operation & Maintenance

State and local savings of \$52.9 million are projected through more efficient management of school facilities – regional purchasing contracts for fuel and other goods and services, consistent oversight and reporting of health and safety issues – workplace hazards/chemicals, and comprehensive maintenance and capital improvement programs for all facilities in the region

Assumptions:

- Reduce most recent (FY'06) reported expenditures, inflated to FY'09, for Operation and Maintenance of Plant by 5% in FY'09 and by an additional 2.5% in each of FY'10 and FY'11

Detail of Facilities Operation and Maintenance Savings

	FY'09	FY'10	FY'11	3Year Total
Total State/Local	\$12.0M	\$17.7M	\$23.3M	\$53.0M
State 55%	\$6.6M	\$9.7M	\$12.8M	\$29.1M
Local 45%	\$5.4M	\$7.9M	\$10.5M	\$23.8M