An Incentive Plan for Consolidation

1. A Common Plan. The State Board shall consult with state and local stakeholders to develop promptly a series of one or more alternative consolidation plans. Each plan must include the organized portions of Maine and be designed to produce on a statewide basis results that will:

a. include all municipalities within consolidated school administrative units;
b. provide that each new unit shall have a single governing board and contain at least one secondary school;
c. yield an average unit size exceeding 2500 students;
d. divide the state into no more than 80 units that are reasonably contiguous and compact;
e. include whole existing units wherever practicable; and
f. merge adjoining and nearby units that are presently separated because of disparate fiscal capacities.

So long as the above specifications are met, any group of school units may request the Board to approve an alternative alignment and the Board may, on its own motion, amend its plans to accommodate new information and preferences.

2. Incentives. When any group of units vote to form a new district in conformance to a plan approved by the Board, the new consolidated district is entitled to the following:

a. **Grants.** A grant from the Board of up to $200 per pupil to defray costs of consolidation.

b. **Mill rates.** A reduction of one-half mill in the full-value mill rate as applied to the new district for three consecutive fiscal years following consolidation.

c. **School Construction.** Added weight within the State Board's grading system for approving school construction funds.

3. The Incentive Fund. This plan sets aside within GPA the amount of $9.76 million in a non-lapsing fund from which to pay the incentives in paragraph 2(a) above. The fund is derived from transfers outlined in paragraphs below. It does not require an appropriation beyond funds available in the Governor's budget.

4. Three Sources for the Incentive Fund:

a. From EPS for Minimum Receivers. For both years of the biennium, the plan reduces to 80% the EPS reimbursement for special ed granted to 80 minimum receiver districts. It transfers the savings (approx. $3.5M) to the Consolidation Incentive Fund.

b. From Transition Adjustment Funds. It reassigns within GPA the transition adjustment funds in FY 08 ($3.26M) to the Consolidation Incentive Fund.

c. From Professional Development Funds. The Commissioner's budget contains $3.552M to pay for assisting Maine's 290 school units to reform into 26 districts. This plan moves $3M of these funds into the Consolidation Incentive Fund within GPA. It leaves the remaining $552,000 to fund consolidation work by the Department and the Board throughout the state.

5. Bringing the budget to Balance.

a. Building Principals. This plan eliminates the Governor's proposal to pay the state share of costs for a principal in each school in FY 09. This saves $7.23M in state and local share or $3.98 million in state funds alone.

b. Transparency in Budgeting. The plan requires units to align budgets to a common format containing about ten major line items of EPS. Budgets approved for FY 09 and thereafter must be presented to voters in a format that discloses on the ballot how the district's spending compares with EPS in each category. It further requires that voters be given the same financial information from a high performing school district of comparable size and demographics.

c. Balance Analysis. The change in paragraph 5a (not adding extra school principals) saves about $4M of the $36.5M necessary. Moving $3M from the Department's budget into the Incentive Fund (paragraph 4c) reduces the GPA deficit to $29.5M.

The ballot initiative in paragraph 5b will save significant dollars at the state and local level and complies with the Governor's objective to translate new state funding into savings for property tax payers. The consolidations incentivized by the plan in paragraphs 1 through 4 should save the rest.

If DOE and OFPR say that these four savings are insufficient to substitute fully for the $36.5M deducted from GPA in the Governor's budget, then the difference is made up by scaling back GPA for FY 08 while still allocating the full 55% state share in FY 09.

Senator Peter Mills