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ONE HUNDRED AND TWENTY-THIRD LEGISLATURE  
COMMITTEE ON EDUCATION AND CULTURAL AFFAIRS

February 19, 2008

**MEMO TO:** Sen. Margaret Rotundo, Senate Chair  
Rep. Jeremy Fischer, House Chair  
Joint Standing Committee on Appropriations & Financial Affairs

**FROM:** Sen. Peter Bowman, Senate Chair *PB*  
Rep. Jacqueline R. Norton, House Chair *JRN*  
Joint Standing Committee on Education & Cultural Affairs

**SUBJ: LD 2173 Supplemental Budget for FY 08 & FY 09 and Additional Budget Reductions to Meet the \$99 Million Gap in State Budget for FY 09**

Please find enclosed the report of the Joint Standing Committee on Education and Cultural Affairs pertaining to the Governor's proposed initiatives in LD 2173, the "supplemental budget bill," and to the additional "budget reduction targets" established by the Appropriations Committee to address the projected \$99 million gap in the fiscal year 2008-09 state budget. Our report includes recommendations regarding the budget initiatives and related "language" provisions proposed in LD 2173 that affect funding for kindergarten to grade 12 education, postsecondary education, and the cultural affairs agencies.

We also present our recommendations to reach the FY 2008-09 "budget reduction target" of \$47,352,159 established for education and cultural affairs agencies by the Appropriations Committee. Our report includes a summary of the fiscal impact statements received by the Education and Cultural Affairs Committee from the state agency officials on the consequences of reducing or eliminating State General Funds for affected programs.

On behalf of the members of the Education and Cultural Affairs Committee, we thank you for your consideration of our supplemental budget recommendations for the FY 2008-2009 biennium. Please do not hesitate to contact us should you wish to discuss these recommendations as you continue your deliberations on LD 2173.

cc: Maureen Dawson, Principal Analyst, Office of Fiscal and Program Review  
Rachel Tremblay, Fiscal Analyst, Office of Fiscal and Program Review  
Patrick T. Norton, Director, Office of Policy and Legal Analysis

## EDUCATION AND CULTURAL AFFAIRS COMMITTEE RECOMMENDATIONS

### **Recommendations on LD 2173 Supplemental Budget Initiatives for FY 08 & FY 09**

**Recommendation #1: LD 2173 Initiatives.** The Education and Cultural Affairs Committee, by a general consensus, accepts all of the funding and “language” initiatives proposed in LD 2173 related to the education and cultural affairs programs within our jurisdiction – except for the “Part C” initiatives proposed for the General Purpose Aid for Local Schools program (or “GPA”) for FY 09 (please see modifications below).

**Recommendation #2: GPA Initiatives for FY 09.** The Education and Cultural Affairs Committee, by a 10-1 vote, proposes to modify the “Part C” initiatives proposed in LD 2173 for the GPA program for FY 09 (please see enclosed *Exhibit A: “GPA for Local Schools: Comparison of Possible Plans for Education Committee”*). Due to the magnitude of the fiscal challenges facing the state budget, including the additional \$99 million budget hole projected for FY 09, we acknowledge that the GPA program must absorb its proportionate share of the budget cuts facing most of the General Fund programs. We also note that the loss of roughly \$13.6 million in federal and state matching funds for Medicaid programs must be replaced with \$7million in state funds to provided mandated special education services for eligible children with disabilities in our schools.

Given these factors, we reluctantly recommend the following modifications to the GPA program for FY 09 (please also see figures in the 3<sup>rd</sup> column of *Exhibit A*):

- A. Appropriate **\$980,749,430 in State General Funds for GPA**, which is a \$36,800,000 cut from the proposed \$1,017,549,430 State appropriation level proposed in LD 2173;
- B. **Extend the “ramp” to FY 10 for full implementation of achieving the 55% state share** of total K-12 education costs, as defined by the Essential Programs and Services (“EPS”) funding formula, which will result in a **53.56% state share for FY 09**;
- C. Establish a **6.66 mill expectation and recognize 97% of EPS-defined costs**, as compared to 6.54 mills and 100% recognition of EPS-defined costs proposed in LD 2173;
- D. Restore the **0.15 additional “weight” provided for each economically-disadvantaged student** in the EPS funding formula, (instead of the 0.10 weight proposed in LD 2173);
- E. Establish an **additional “weight” of 0.45 provided for each limited English proficiency (or “LEP”) student in the EPS funding formula for school units with more than 251 LEP students**, (LD 2173 proposed to keep the current 0.60 weight). We note that Department of Education indicated that this change to the 3rd tier of the additional funding for LEP students will not have an adverse impact for the two school units, Portland and Lewiston, which currently have more than 251 LEP students;
- F. Accept the **additional “weight” of 0.70 provided for school units with 15 or fewer LEP students** (the current weight is 0.50) and the **additional “weight” of 0.50 provided**

for school units with more than 15 and fewer than 251 LEP students (the current weight is 0.30). We also propose to amend LD 2173 to direct the **Department of Education to conduct a fiscal and program review of the LEP student costs** reported by all school units. The department should report her findings and recommendations for further changes needed for LEP student funding to the Education and Cultural Affairs Committee by January 31, 2009; and

- G. Establish that, **for FY 09 only**, that the 80 school units that are considered to be **“minimum subsidy receivers” shall receive the greater of 50% of their special education costs or the minimum state allocation** whichever is greater. Due to the cut in the State GPA allocation, this recommendation will provide for a more equitable distribution of State GPA funds to all school units.

**Recommendation #3: Restoration of up to \$7m in Medicaid Funds to GPA Program.** The Education and Cultural Affairs Committee, by a 6-1 vote, requests the opportunity to revisit our recommendations for the GPA program in FY 09 to consider the loss of roughly \$13.6 million in federal and state matching funds for Medicaid programs that must be replaced with \$7m in State funds for children with disabilities who are eligible to receive special education services in our schools. We make this recommendation for the following reasons:

- A. We understand that the Appropriations Committee guidance to the Legislature’s “policy committees” to find \$99 million worth of State General Fund reductions was intended, in part, to replace some portion of the projected loss of roughly \$45 million in federal and state Medicaid funds; and
- B. Our GPA program recommendations were made with the expectation that the \$7 million in state share of the lost Medicaid funds will be reallocated to provide mandated special education services for eligible children in our schools. If we fail to provide the additional State funding necessary, we will not meet the federal IDEA mandate and the Maine statutory requirement that the State recognize 100% of special education costs in the EPS funding formula.

We respectfully request that the Appropriations Committee continue to involve the Education and Cultural Affairs Committee in the policy decisions that are related to the allocation of federal or state funds that may become available for the GPA program in FY 09, including any subsequent “change package” proposed by the Governor.

**Recommendations on the \$47,352,159 “Budget Reduction Target” for Education and Cultural Affairs Programs in FY 09**

Our recommendations to reach the FY 09 “budget reduction target” of \$47,352,159 established by the Appropriations Committee are presented in the enclosed worksheet titled ***Exhibit B: “Education and Cultural Affairs Committee Recommendations to Cut \$47,352,159 in FY 09.”*** This Exhibit B worksheet outlines our budget reduction recommendations related to the kindergarten to grade 12 education, postsecondary education,

and cultural affairs agency programs. The narrative below describes the funding recommendations and votes of Education and Cultural Affairs Committee members. We also summarize the fiscal impact statements regarding the consequences of reducing or eliminating State General Funds for their respective programs.

### **K-12 Education Programs**

**Recommendation #4: GPA Program (Exhibit B, row 5).** The Education and Cultural Affairs Committee, by a 10-1 vote, proposes a \$36,800,000 cut from the GPA program for FY 09. As discussed above, this reduction necessitates a number of policy changes to the EPS funding formula (please see Recommendation #2). This reduction provides \$935,312 beyond the Appropriations Committee Target (please see “AFA Target” in worksheet) to sustain State General Fund support for other education and cultural affairs programs.

**Recommendation #5: Health Insurance for Retired Teachers Program (Exhibit B, row 16).** The Education and Cultural Affairs Committee, by a 10-0 vote, proposes to maintain the 2009 base funding level established in the 2008-2009 biennium budget, and maintained by LD 2173, for the State support provided for retired teachers’ health insurance. State funds currently provide for 45% of the health insurance premium for retired teachers. To maintain this funding level, our recommendation requires that we use \$656,708 from the GPA allocation in order to meet the “AFA Target” calculated for all education and cultural affairs programs.

**Recommendation #6: Department of Education “Support Systems” Programs (Exhibit B, row 10) and “Learning Systems” Programs (Exhibit B, row 13).** The Education and Cultural Affairs Committee, by a 6-1 vote, proposes the following recommendations for Department of Education programs:

- A. Cut \$112,767 from the Support Systems account by eliminating funds for the Postsecondary Enrollment allocation. Funds for postsecondary enrollment of secondary school students will be provided through the miscellaneous line in the GPA program; and
- B. Cut \$687,575 from the Learning Systems account by eliminating funding for the Councils on Transition, by reducing the Innovation Grant Program allocation, and by reducing home schooling support. Services currently provided by Councils on Transition that develop transition plans for special education students as they will need to be provided by public schools.

These two reductions will provide the bulk of the \$684,871 in General Funds that can restore some funding to the postsecondary education programs (see Recommendation #7 below) while meeting the “AFA Target” calculated for all of the education and cultural affairs programs.

## Postsecondary Education Programs

The Education and Cultural Affairs Committee reluctantly accepts the “AFA Target” amounts calculated for budget reductions for the State’s public postsecondary education programs, including the Maine Community College System, the Maine Maritime Academy, the University of Maine System, and the Student Financial Assistance Programs administered by the Finance Authority of Maine. Committee members worked diligently to achieve consensus in developing an alternative to the “AFA Target” for postsecondary education programs. However, beyond the \$684,871 cut from Department of Education programs identified above (see Recommendation #6), we were unable to develop a consensus on ways to restore funding to these important programs.

**Recommendation #7: Postsecondary Education Programs (Exhibit B, rows 26-31).** The Education and Cultural Affairs Committee, by a 6-1 vote, reluctantly accepts the following reductions to the postsecondary education programs:

- A. Cut \$418,419 from the Student Financial Assistance Programs administered by the Finance Authority of Maine (“FAME”). This funding level includes a reallocation of \$31,361 from DOE funds. The impact of these cuts will be borne by the Educators for Maine Program (by \$398,728) and the Health Professions Loan Program (by \$51,052). The reduction to the Educators for Maine Program represents the entire allocation and will result in no new students being awarded loans (an approximate decrease of 170 students annually), and five non-access students (those not competing for one of the reserved seats at participating medical schools) will not be awarded loans in the Health Professions Programs;
- B. Cut \$1,815,865 from the Maine Community College System (“MCCS”) account. This funding level includes a reallocation of \$136,101 from DOE funds. These funding cuts will result in the elimination 12-14 programs, the reduction of 450 or more students, and the layoff of about 40 faculty, staff and administrators;
- C. Cut \$300,927 from the Maine Maritime Academy (“MMA”) account. This funding level includes a reallocation of \$22,555 from DOE funds. The MMA Board of Trustees has yet to determine the fiscal impact, but the fiscal impact will likely result in increased tuition and fees, unless it can be avoided. In essence, MMA will absorb reductions in funding by delaying operating expenditures and filling vacant positions;
- D. Cut \$6,119,218 from the “Educational & General” account at the University of Maine System (“UMS”). This funding level includes a reallocation of \$458,642 from DOE funds. The impact of this funding cut would be a 14 % tuition and fee increase and elimination of 150-250 positions within the UMS;
- E. Cut \$1,148 from the “Casco Bay Estuary Project - USM” account at the UMS. This funding level includes a reallocation of \$86 from DOE funds; and

- F. Cut \$481,992 from the "Economic Improvement Fund" account at the UMS. This funding level includes a reallocation of \$36,126 from DOE funds. The impact of this funding cut would be an abrupt halt to the development of Maine's fast-growing R&D industry at a time when Maine has been making progress in key economic areas.

While we recognize the necessity of sharing the pain of State General Fund budget cuts required by these state-funded programs, we respectfully request that the Appropriations Committee continue to involve the Education and Cultural Affairs Committee in the policy decisions that are related to a subsequent "change package" proposed from the Governor to address the \$99 million gap in FY 09 or to other proposals to reallocate any federal or state funds that may become available for K-12 education, postsecondary education or cultural affairs programs in FY 09.

### **Cultural Affairs Programs**

The Education and Cultural Affairs Committee reluctantly accepts the "AFA Target" amounts calculated for budget reductions for the cultural affairs agencies.

**Recommendation #8: Cultural Affairs Agency Programs (Exhibit B, rows 33-49).** The Education and Cultural Affairs Committee, by a 7-0 vote, reluctantly accepts the reductions for the cultural affairs agencies. While we are cognizant of the many benefits and services these agencies provide to Maine citizens across the State, in keeping with the constraints presented in the "AFA Target" guidance, Education and Cultural Affairs members have little choice but to accept these targeted reduction amounts for the Maine Arts Commission, the Maine Historic Preservation Commission, the Maine Historical Society, the Maine Humanities Council, the Maine State Library, the Maine State Museum, the Maine State Cultural Affairs Council, and the Maine Public Broadcasting Corporation. The enclosure titled **Exhibit D: "Impact of \$7,097,212 Reduction in FY 09 State General Fund Appropriation to the "Cultural Affairs" Agencies"** details the program impacts of these reductions in State General Fund appropriations.

In closing, we want to reiterate that -- should the Governor submit a "change package" that addresses the \$99 million in cuts needed for FY 09 or if additional State General Funds or other funds become available -- we request additional time to work with the Appropriations Committee to restore funding to the K-12 education, postsecondary education, and cultural agency programs.

Again, we thank you for your consideration of our supplemental budget recommendations for the FY 2008-2009 biennium. The Education and Cultural Affairs Committee or our Budget Subcommittee will remain available to address any questions or concerns raised by the Appropriations Committee. Our staff is also available to assist OFPR staff (as necessary) with the drafting of statutory language related to our proposals or to provide any necessary background material related to our recommendations. Please do not hesitate to contact us should you wish to discuss these recommendations as you continue your deliberations on LD 2173.

**General Purpose Aid for Local Schools  
Comparison of Possible Plans for Education Committee**

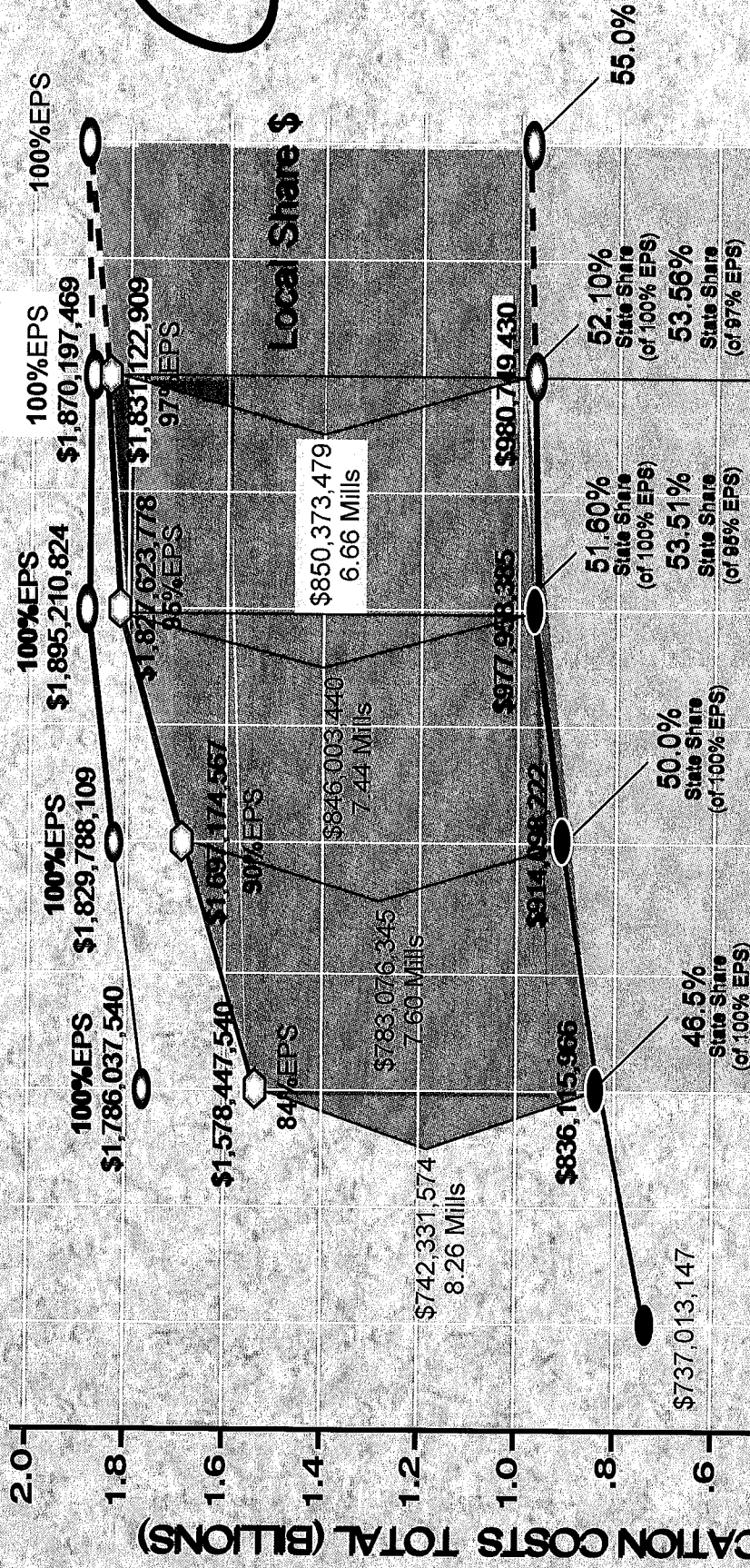
|                            | <b>2007-08</b> | <b>LD 2173<br/>Governor's<br/>Budget<br/>2008-09</b> | <b>Education<br/>Committee<br/>Recommendation<br/>(LD 2173 &amp; AFA<br/>Target Amounts)<br/>2008-09</b> | <b>AFA<br/>Target Amounts<br/>with restored<br/>Medicaid loss<br/>2008-09</b> |
|----------------------------|----------------|--|--|---|
| <b>Total Cost</b>          | 1,827,623,778  | 1,850,089,874  | 1,831,122,909  | 1,843,190,375   |
| <b>State</b>               | 977,958,385    | 1,017,549,430  | 980,749,430  | 987,749,430   |
| <i>Percentage</i>          | 53.51%         | 55%  | 53.56%   | 53.59%  |
| <b>Local</b>               | 849,665,393    | 832,540,444  | 850,373,479  | 855,440,945   |
| <i>Percentage</i>          | 46.49%         | 45%  | 46.44%   | 46.41%  |
| <b>Mill Expectation</b>    | 7.44           | 6.54   | 6.66   | 6.70  |
| <b>EPS%</b>                | 95%            | 100%   | 97%  | 97%   |
| <b>Disadvantage weight</b> | 0.15           | 0.10   | 0.15   | 0.15  |
| <b>LEP 0 to 15</b>         | 0.50           | 0.70   | 0.70   | 0.70  |
| <b>LEP 16 to 250</b>       | 0.30           | 0.50   | 0.50   | 0.50  |
| <b>LEP 251 and greater</b> | 0.60           | 0.60   | 0.45   | 0.45  |
| <b>Minimum Spec. Educ.</b> | 84%            | 84%  | 50%  | 50%   |
|                            |                |  |  | Restores<br>Medicaid loss<br>Revenues<br>\$7 million<br>add'l State Share     |

|    | A  | B           | C                           | F                   | G                   | I                 | J               |
|----|--|-------------|-----------------------------|---------------------|---------------------|-------------------|-----------------|
| 1  | <b>EDUCATION &amp; CULTURAL AFFAIRS COMMITTEE RECOMMENDATIONS TO CUT \$47,352,159 IN FY 09</b> |             |                             |                     |                     |                   |                 |
| 2  |  |             |                             |                     |                     |                   |                 |
| 3  | <b>DEPT</b>  | <b>LINE</b> | <b>ACCOUNT TITLE</b>        | <b>AFA TARGET</b>   | <b>EDU.REC</b>      | <b>DIFFERENCE</b> | <b>EDU.VOTE</b> |
| 4  |  |             |                             |                     |                     |                   |                 |
| 5  | EDUCATION  | AO          | GPA FOR LOCAL SCHOOLS       | (35,864,688)        | (36,800,000)        | (935,312)         | 10-1            |
| 6  | EDUCATION  | AO          | ADULT EDUCATION             | (217,734)           | (217,734)           | 0                 | 7-0             |
| 7  | EDUCATION  | PS          | LEADERSHIP                  | (25,945)            | 0                   | 25,945            | 7-0             |
| 8  | EDUCATION  | AO          | LEADERSHIP                  | (3,316)             | (29,261)            | (25,945)          | 7-0             |
| 9  | EDUCATION  | PS          | SUPPORT SYSTEMS             | (40,318)            | 0                   | 40,318            | 7-0             |
| 10 | EDUCATION  | AO          | SUPPORT SYSTEMS             | (55,041)            | (112,767)           | (57,726)          | 6-1             |
| 11 | EDUCATION  | AO          | MGMT INFO SYSTEMS           | (24,861)            | (24,861)            | 0                 | 7-0             |
| 12 | EDUCATION  | PS          | LEARNING SYSTEMS            | (27,245)            | 0                   | 27,245            | 7-0             |
| 13 | EDUCATION  | AO          | LEARNING SYSTEMS            | (176,858)           | (687,575)           | (510,717)         | 6-1             |
| 14 | EDUCATION  | PS          | REGIONAL SERVICES           | (32,013)            | 0                   | 32,013            | 7-0             |
| 15 | EDUCATION  | AO          | REGIONAL SERVICES           | (12,433)            | (12,433)            | 0                 | 7-0             |
| 16 | EDUCATION  | AO          | HEALTH INS. - RET. TEACHERS | (656,708)           | 0                   | 656,708           | 10-0            |
| 17 | EDUCATION  | AO          | AFTER-SCHOOL PROGRAM        | (881)               | (881)               | 0                 | 7-0             |
| 18 | EDUCATION  | PS          | LEARNING THRU TECHNOLOGY    | (6,115)             | (6,115)             | 0                 | 7-0             |
| 19 | EDUCATION  | AO          | LEARNING THRU TECHNOLOGY    | (417)               | (417)               | 0                 | 7-0             |
| 20 | EDUCATION  | AO          | PROF DEV & EDUCATION FUND   | (176)               | (176)               | 0                 | 7-0             |
| 21 | EDUCATION  | AO          | REG'L SUPP SVS - CARRYING   | (62,600)            | 0                   | 62,600            | 7-0             |
| 22 | STATE BD OF EDUCATION  | PS          | STATE BD OF EDUCATION       | (747)               | (747)               | 0                 | 7-0             |
| 23 | STATE BD OF EDUCATION  | AO          | STATE BD OF EDUCATION       | (4,541)             | (4,541)             | 0                 | 7-0             |
| 24 | <b>SUBTOTAL - K TO 12 EDUCATION</b>  |             |                             | <b>(37,212,637)</b> | <b>(37,897,508)</b> | <b>(684,871)</b>  |                 |
| 25 |  |             |                             |                     |                     |                   |                 |
| 26 | FINANCE AUTH OF MAINE  | AO          | STUDENT FINANCIAL ASSIST    | (449,780)           | (418,419)           | 31,361            | 6-1             |
| 27 | ME COMM COLLEGE SYSTEM   | AO          | ME COMM COLLEGE SYSTEM      | (1,951,966)         | (1,815,865)         | 136,101           | 6-1             |
| 28 | MAINE MARITIME ACADEMY   | AO          | MAINE MARITIME ACADEMY      | (323,482)           | (300,927)           | 22,555            | 6-1             |
| 29 | UNIV OF MAINE SYSTEM   | AO          | UNIV OF MAINE SYSTEM        | (6,577,860)         | (6,119,218)         | 458,642           | 6-1             |
| 30 | UNIV OF MAINE SYSTEM   | AO          | CASCO BAY ESTUARY - USM     | (1,234)             | (1,148)             | 86                | 6-1             |
| 31 | UNIV OF MAINE SYSTEM   | AO          | ECONOMIC IMPROV FUND        | (518,118)           | (481,992)           | 36,126            | 6-1             |
| 32 | <b>SUBTOTAL - POSTSECONDARY EDUCATION</b>  |             |                             | <b>(9,822,440)</b>  | <b>(9,137,569)</b>  | <b>684,871</b>    |                 |
| 33 |  |             |                             |                     |                     |                   |                 |
| 34 | ARTS COMMISSION  | PS          | ARTS & HUMANITIES ADMIN     | (17,033)            | (17,033)            | 0                 | 7-0             |
| 35 | ARTS COMMISSION  | AO          | ARTS & HUMANITIES ADMIN     | (11,006)            | (11,006)            | 0                 | 7-0             |
| 36 | HISTORIC PRESERV COMM  | PS          | ME HISTORIC PRES COMM       | (9,514)             | (9,514)             | 0                 | 7-0             |
| 37 | HISTORIC PRESERV COMM  | AO          | ME HISTORIC PRES COMM       | (1,585)             | (1,585)             | 0                 | 7-0             |
| 38 | HISTORICAL SOCIETY   | AO          | ME HISTORICAL SOCIETY       | (1,823)             | (1,823)             | 0                 | 7-0             |
| 39 | HUMANITIES COUNCIL   | AO          | ME HUMANITIES COUNCIL       | (2,168)             | (2,168)             | 0                 | 7-0             |
| 40 | STATE LIBRARY  | AO          | STATEWIDE LIBR INFO SYS     | (7,930)             | (7,930)             | 0                 | 7-0             |
| 41 | STATE LIBRARY  | PS          | LIBRARY ADMINISTRATION      | (3,795)             | (3,795)             | 0                 | 7-0             |
| 42 | STATE LIBRARY  | AO          | LIBRARY ADMINISTRATION      | (7,141)             | (7,141)             | 0                 | 7-0             |
| 43 | STATE LIBRARY  | PS          | LIBRARY & DEVELOP SVS       | (82,723)            | (82,723)            | 0                 | 7-0             |
| 44 | STATE LIBRARY  | AO          | LIBRARY & DEVELOP SVS       | (29,723)            | (29,723)            | 0                 | 7-0             |
| 45 | STATE LIBRARY  | AO          | LIBR SPECIAL ACQUISITION    | (17)                | (17)                | 0                 | 7-0             |
| 46 | STATE MUSEUM   | PS          | MUSEUM ADMINISTRATION       | (53,055)            | (53,055)            | 0                 | 7-0             |
| 47 | STATE MUSEUM   | AO          | MUSEUM ADMINISTRATION       | (6,893)             | (6,893)             | 0                 | 7-0             |
| 48 | STATE CULTURAL AFF CNCL  | AO          | NEW CENTURY PROGRAM         | (3,348)             | (3,348)             | 0                 | 7-0             |
| 49 | PUBLIC BROADCAST CORP  | AO          | ME PUBLIC BROADCAST CORP    | (79,328)            | (79,328)            | 0                 | 7-0             |
| 50 | <b>SUBTOTAL - CULTURAL AFFAIRS AGENCIES</b>  |             |                             | <b>(317,082)</b>    | <b>(317,082)</b>    | <b>0</b>          |                 |
| 51 |  |             |                             |                     |                     |                   |                 |
| 52 | <b>TOTAL - EDUCATION &amp; CULTURAL AFFAIRS AGENCIES</b>                                       |             |                             | <b>(47,352,159)</b> | <b>(47,352,159)</b> | <b>0</b>          |                 |

# Education Funding Law Implementation

## State / Local Share of Education Costs

FY2008 and FY2009 Funding Requirements - FY09 AFA Target Reduction



State Share \$

Local Share \$

J.E. Rier  
2-18-08 Department of  
Education

2004-05 2005-06 2006-07 2007-08 2008-09 2009-10

FY09 AFA Target  
100% of EPS  
Phase-in EPS