

WHAT'S NEXT FOR SCHOOL FUNDING REFORM?

By Douglas Rooks

This has not been a good year, so far, for reform of Maine's public schools. After enacting a landmark school district consolidation initiative in 2007, the Legislature failed to agree over implementation of the measure this year, leaving the public, and educators, confused about the state's ultimate intentions.

A second blow came when the state, at least temporarily, abandoned its goal of funding 55 percent of General Purpose Aid (GPA) to education. After a \$36 million cutback in projected state funding last year – which was based on administrative changes that have not yet taken place – lawmakers cut another \$34 million from state aid, as part of meeting an overall \$190 million midterm budget shortfall.

That ambitious – and rapid – changes in the state's approach to its K-12 educational system have fallen short of immediate goals should not be surprising. Change on the scale proposed by Gov. John Baldacci during his inaugural address in 2007 would be arduous at any time, and several circumstances, including an economic downturn, made it even tougher.

Yet there are reasons to question some of the strategies and tactics that have surrounded both the movement to require greater state funding, and the consolidation legislation that has proven so contentious among legislators and local school officials. Adjusting our expectations on funding, and making some significant changes in the way consolidation is supposed to work, could stem some of the frustration and allow needed and overdue reforms to proceed.

There is overwhelming evidence that change is needed. School enrollment is falling rapidly in Maine – by 4,000 students a year – but the school district structure we have today is largely unchanged from the 1970s, when enrollment peaked at 250,000. Today, just 195,000 students attend Maine schools, K-12.

Because school districts are so small in Maine, the delivery of school services is highly inefficient. Per-pupil costs are in the top 10 among the 50 states, even though Maine pays its teachers poorly. Until a minimum salary bill was passed in 2005, Maine had the lowest average starting salary in the nation.



In Maine, school enrollment is falling by 4,000 students a year.

The difficulties go well beyond high per pupil costs and low teachers salaries, however. Amid rising academic expectations, Maine's many small high schools struggle to provide a competitive curriculum. Despite historically strong support for public education, Maine's schools need a strong dose of cooperation if they are to succeed in the decades ahead. The current consolidation law may not yet be the ideal vehicle for that transformation, but there is no doubt that its goals must be achieved.

Essential Programs and Services

The state's 55 percent funding goal grew out of a referendum, originally proposed by the Maine Municipal Association in 2003, that was enacted by voters in a second election in 2004 after the state's competing measure was defeated.

MMA's stated goal was to use increased state funding to reduce the property taxes required to pay the balance of local school costs. This was a flawed premise, at best. For one thing, school boards naturally saw increases in state funding as they always have – as an opportunity to improve programs, increase teacher pay, or compensate for rising structural costs such as health insurance and fuel. While the Legislature discussed requiring town and cities to pass through increased school funding to taxpayers, it ultimately decided such a measure was impractical – as indeed it is. The nature of General Purpose Aid means that attaching strings runs counter to the basic intent of the program, which is to equalize local tax effort and provide equitable

opportunities for students.

As part of the legislation implementing the MMA referendum, passed in 2005 and known as LD 1, lawmakers did establish the new Essential Programs and Services (EPS) benchmarks

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for each district as a standard for local spending. EPS, in preparation since 1997 and enacted by the Legislature in 2004, is a useful guide to how much each district needs to spend to provide an adequate education, as defined in the Learning Results curriculum standards. To spend more than a district's EPS allocation, school boards and town councils must vote explicitly to do so, yet such override votes have been common.

While the state now distributes school aid only to the limits of EPS, with local taxpayers responsible for any additional amounts, thus far this has not prompted widespread cutbacks in budgets, or rejection by voters. Instead, during the four years the state has been using EPS as a budget standard, the proportion of school districts exceeding those limits has substantially increased, to the point where nearly three-quarters of the 290 districts spend more than their allocation.

While the state is often faulted for falling short of its funding goals, the Legislature cannot be held responsible for local decisions to spend more. Faced with the prospect of cutting teaching jobs and programs at a time when expectations

for well-educated graduates are increasing, voters often decide – at least at the local level – that tax relief is, after all, a lower priority.

Under these circumstances, it would seem that school district consolidation would have

significant popular appeal. It is well established that Maine's larger districts spend less per pupil, and can offer significantly more program choices for students, than small ones. The consolidation bill known as LD 499 established 2,500 students as the optimum district size; other researchers have put the number higher, at 3,700 students. Whatever the correct answer is, it is clearly far higher than the average district size in Maine, which has fallen below 700 students.

Yet consolidation, as prescribed by the Legislature after modifying the Governor's more sweeping plan, has roused far more resistance than acceptance. Only a few of the reorganization planning committees (RPCs) created through the legislation have completed plans, and only two went to the voters this month.

Are voters really less concerned about property taxes than most Mainers have been led to believe? Is local control, defined through municipalities, such an imperative that communities will no longer consider forming new regional districts?

The answers to those questions may be different if we change the terms of discussion.

Continuity over time

Looked at over the long term, state support for public schools has followed a clear and definite pattern. At least since the 1970s, the state has striven to provide at least half of school funding needs, and – to a degree – has succeeded. The chart showing a 20 year comparison provides a different way of looking at the state-local funding balance than the GPA comparison prescribed in current law, reflecting the reality that the state provides money through sources other than GPA. The biggest item is the state's contribution to teacher retirement and retiree health insurance costs, a 100 percent share. The state does not support the retirement of other municipal employees, but has paid for all teachers for many decades.

There have been periodic attempts to push the state's share higher. The now-familiar 55 percent goal for GPA was set in statute in 1984, though later removed when subsequent budgets fell short.

In prosperous times, the state tends to funnel more money into GPA, but when recessions arrive, it cuts back, sometimes to virtual "flat funding" levels, with scant year-to-year increases. In those periods, property taxes tend to go up to maintain school programs.

As the chart shows, state support reached an all-time high in fiscal 1988, when it accounted for more than 55 percent of all expenses. That number began falling during the severe recession of 1991-92, and fell again during the milder contraction of 2001-02. The MMA referendum led to another "ramp up" attempt to reach 55 percent, starting in fiscal

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2006, but as we have seen, that effort too is falling short amid the current economic uncertainties. In fiscal 2007, the state contribution stood at 51 percent – on average, just about where it has been for most of the past 20 years.

This continuity over time leads one to believe that the proportion of the state budget devoted to GPA, in particular, is likely to remain relatively constant, despite lawmakers' repeated efforts to increase it. Measured as a proportion of the General Fund, GPA has remained in a fairly narrow range. From 30.8 percent in fiscal 1990, it declined to a low of 25.8 percent in fiscal 2001, and has since risen to 29.6 in fiscal 2007 – just about back to where it was.

So if state school funding is unlikely to lower property tax funding requirements, Maine may have a larger problem. Over the 20-year period outlined above, teacher retirement costs increased 125 percent in nominal dollars. State support, however, increased 145 percent and local contributions rose 194 percent. The latter two figures represent significant real increases above inflation, and took place against a trend of falling enrollment that has accelerated in recent years. Education Commissioner Susan Gendron has noted that statewide enrollment has fallen by at least 4,000 students each year during her tenure.

At one time, Maine's per-pupil costs were average, but have since risen to the top 10. With total state and local spending for K-12 education now more than \$2.2 billion, gross average per-pupil costs are now more than \$11,000 a year.

The declining number of students has already had profound effects on schools and their ability to educate students. Except for buildings consolidated through the state's construction program, which currently lacks funding for a new round of projects, few schools have closed anywhere in Maine; communities often fiercely resist losing them, no matter how high their costs have climbed. When they fall below a certain size – about 300 for secondary schools and 150 for elementary schools – it is impossible to maintain efficient levels of staffing, which is the single biggest factor driving up costs. School closings, however, become much more palatable if they are replaced by new or renovated schools that can offer improved services and a

must take place. It is possible that by changing the way the current state effort is designed, parents, educators and taxpayers may take another look at their long-term prospects – and at the educational needs of children.

Making consolidation palatable

It is not that we lack a picture of what an efficient and effective school district is in Maine. The school administrative districts (SADs) created a half century ago continue to provide models. They decisively refute the idea that the EPS benchmarks are designed for only larger urban school districts, and are unattainable in rural parts of the state.

SAD 4, based in Guilford, is known for its academic

5,000. Oxford Hills operates Maine's most comprehensive vocational-technical program among secondary schools, rivaling the offerings of most community colleges. It also spends less than its EPS allocation.

Conversely, some school districts spend far more without necessarily achieving better results. Mount Desert Island, which was instrumental in insisting that decentralized administrative structures be recognized in the consolidation law, currently spends 84 percent above its EPS allocation on administration. And its four town school districts range from 35 percent to 74 percent above their overall EPS benchmarks. While towns with enormous property tax bases may be able to afford such spending levels, most of their rural neighbors cannot.

Consolidation may not be a popular step with many existing school boards, but it is a necessary one if Maine is to tackle the problem of rising per-student costs and falling enrollment. The initial focus of the law on short-term savings, however, has proven unrealistic. While the RPCs studying consolidation may be able to identify savings from combining superintendent's offices, these reductions are cancelled out by the startup costs necessary whenever a new organization is being created while the old one is still operating. A few existing districts budgeted such startup costs in their preliminary budgets – and then rejected possible consolidation plans for that reason.

Recognizing that substantial savings will occur only over time, it makes sense to revamp the law to offer

Total State and Local Funding for K-12 Education

Fiscal Year	State (in millions)	Local	% State Funding
1988	\$462.2	\$367.2	55.7
1990	\$596.3	\$454.5	56.7
1992	\$600.6	\$531.4	53.0
1994	\$623.4	\$579.3	51.8
1996	\$662.1	\$653.4	50.3
1998	\$712.9	\$722.4	49.6
2000	\$810.9	\$788.9	50.6
2002	\$886.5	\$909.2	49.3
2004	\$907.2	\$1,006.2	47.4
2005	\$930.2	\$1,062.4	46.6
2006	\$997.1	\$1,056.2	48.5
2007	\$1,132.7	\$1,080.3	51.1

(State total includes GPA, teacher retirement and health insurance and, grants.)
Source: Department of Education

better climate for learning.

So if state funding cannot answer local taxpayer concerns, some form of greater regional cooperation – including though not limited to district consolidation –

achievements while budgeting within its EPS allocation. The Oxford Hills District (SAD 17) has 3,600 students, one of the largest districts in Maine, even though none of its eight member towns has a population of more than

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financial incentives up front, rather than through the existing penalties for non-cooperating districts, which would then be redistributed to complying districts. The Sinclair Act offered explicit bonuses of up to 10 percent

For Maine's elected representatives may face some stark choices when they meet again next January. It is likely that an initiated measure to repeal the school consolidation law will be on the November 2009 ballot, and there may be a

here. Yet without significant changes in the way Maine provides public services – particularly in schools – voters may well render a different verdict the next time around.

major gains in efficiency and, at the same time, improving educational opportunities throughout the state.

About the Author

Douglas Rooks writes frequently about state policy issues, and has addressed mental health, corrections, and school finance in previous MECEP publications. His work appears in many state and national magazines, and he is currently an op-ed columnist for the Brunswick *Times Record*. He lives in West Gardiner.

Endnotes

A more detailed look at school reform in Maine, both before and during the current consolidation efforts, is provided in *A Case for Cooperation* (2006) and *A Case for Cooperation II* (2008) by Doug Rooks and published by the Maine Children's Alliance. Both are available online at www.mekids.org, and in print by calling 623-1868, ext. 202.

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for towns and cities willing to consolidate. A similar offer today would create significant new interest in RPCs where discussions have lately been at a standstill.

A third way

It is possible that consolidation plans will move forward in large numbers by the November 2008 deadline, and be approved by the voters. But lawmakers should be ready to revisit the law should it continue to falter.

new version of the TABOR plan, too.

The cost of failing to move forward vigorously toward better sharing of resources through consolidation of districts and voluntary cooperation could be severe. The crippling effects on public education of broad tax limitation formulas in California and Colorado is by now well known in Maine, thanks to campaigns against similar measures proposed

So there is increasing pressure for reform, and there may be just enough time. Making the consolidation law more attractive to the local RPCs is a big step, since the perception that change is actually happening is vital to winning the public's trust. Mainers may be wary of change, but they are also patient when they see that things are moving in the right direction.

State education funding will not save the day, and slashing school budgets is a dismal alternative, given that the state's future depends on having a well-trained, competitive corps of graduates. The third way, which is also the best way, lies in creating the trust and cohesion necessary for local officials, parents, and taxpayers to change the way schools are organized and how they operate – making

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