

MAINE

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I. GENERAL BACKGROUND

State

Maine's school funding formula operates according to the requirements of two school funding statutes. The School Finance Act of 1985 still guides many components of the school funding formula. The most recent school funding statute, the School Finance Act of 1995, was first implemented in the 1996–97 fiscal year. The School Finance Act of 1995 guides the calculation of school unit operating cost subsidies, and adds median household income and cost of living adjustments as additional measures of local ability-to-pay in the operating costs portion of the formula.

School funding in Maine is, for the most part, no longer expenditure-driven. Provisions presently exist that control the total amount of state subsidies for education. Several changes in the methods for calculating state subsidy amounts have been implemented, all for the purpose of reducing the state obligation. The method used since 1993–94 reduces both the state and local share amounts with some exceptions for each school unit by a fixed percentage, so that the state's total statewide obligation is equal to the amount appropriated for that purpose.

All state funds for education are appropriated from the General Fund. The largest revenue sources for the General Fund are the state income tax and the state sales tax. The state appropriation for the basic support program, General Purpose Aid (GPA), is appropriated as a single amount and distributed through the school funding formula to each school administrative unit. Most state education funds are distributed to promote pupil and taxpayer equity.

In order to obtain GPA funding, each local unit must raise its computed local share, as determined through the funding formula. If a school unit fails to raise 100% of its computed local share, its state subsidy amount is reduced by the same percentage as the reduced local share.

There are two significant components of school funding that operate outside the formula: (1) the state pays for 100% of the employee retirement costs for every local school unit (except for federally funded teachers); and (2) local school units may raise additional local property tax revenues without state participation and subject only to approval of the unit's voting public and local legislative body.

In 1998–99, the state share of state and local revenues provided for education was 50%. The state share has declined from a peak of 57% in 1989–90. These percentage calculations are based on data provided to the National Education Association for its Estimates of School Statistics publication and include all of the following revenues: state and local revenues that are determined in accordance with Maine's school funding formula; all optional property tax levies raised by school administrative units; other grants provided by the State; the state's 100% contribution of all retirement costs of currently employed and non-federally funded school administrative unit staff; and costs of operating the Maine Department of Education.

Local

In 1998–99, there were 285 school administrative units in Maine. Of these, 199 were organized as a part of the government of a single municipality. These single municipality school administrative units are fiscally dependent on the government of that municipality, but the school administrative unit is generally independent of the municipal government for all other policy matters. The remaining 86 school administrative units are organized to provide educational services to more than one municipality. These units, known as School Administrative Districts and Community School Districts, are independent of the governments of the municipalities being served, both fiscally and for other policy matters.

Many school administrative units do not operate schools, or operate schools for some, but not all, grades. Pupils for which instruction is not provided for in these school units enroll in nearby school administrative units that do provide instruction, or in private schools that have been approved for tuition purposes. Tuition costs for these pupils are provided by the school administrative units where the pupils reside.

Local property tax is the only tax revenue source for school administrative units. In addition to state subsidies, federal funds, and other grants, some school administrative units also derive revenues from other sources, including tuition charges and fees for transportation. However, these revenues are ultimately derived from property tax levies of other school administrative units.

Of the 285 local school units described above, three are Maine Indian Education school units. Maine Indian Education derives most of its funding from state and federal sources. State funding for Maine Indian Education is not treated procedurally different through the funding formula from other school units, but state aid for these units that would otherwise be received must be reduced by an amount, called an offset, which represents 15% of specific federal grant funds for Maine Indian Education.

Education in approximately 420 unorganized townships is supervised by the Education in Unorganized Territories office of the Maine Department of Education. Education in Unorganized Territories operates six schools throughout the unorganized territories, but most pupils residing in these territories are tuitioned to the nearest public school system. Pupils residing in particularly remote areas are provided with education services through a variety of alternative methods. The budget for Education in Unorganized Territories is funded entirely through a local property tax levy across all the unorganized territories, and is independent from the school funding formula.

Funding Summary 1998–99

Total State School Aid (All Programs)		\$	773	million
Grants in Aid	613	million		
Teacher Retirement Contributions	160	million		
FICA	0	million		
Total Local School Revenue		\$	753	million
Property Tax	753	million		
Other local source tax revenue	0	million		
Local source non-tax revenue	0	million		
Total Combined State and Local School Revenue		\$	1,526	million
State Financed Property Tax Credits				
Attributable to School Taxes			0	

II. LOCAL SCHOOL REVENUE

Property Tax

The property tax is the only tax levied by local governments. In 1998–99, \$753 million was raised in local property tax revenues for operating costs, program costs, and debt service. Of this \$753 million, \$513.7 million was raised as the total required local share for all school units through the funding formula, while \$239.3 million was raised as optional local funds “outside the formula.”

Property is assessed locally each year. The local assessment may be based on an on-site inspection or by applying an adjustment factor to the prior year's assessed value of each parcel. Periodically, assessments based on on-site inspections are necessary, in order to comply with state standards. The equalized value of property (100% of market value, called the state valuation of property) is estimated annually by the state, based on the relationship between local assessed value and sale price for property that has been sold during a year. Property taxes are levied based on the local assessed property values, but the fiscal capacity of each school unit, as used by the school funding formula, is based for the most part on the state valuation of property.

Income Tax

None.

Sales Tax

None.

Tax Credits and Exemptions

None.

III. TAX AND SPENDING LIMITS

There are no state-imposed limits on school administrative unit spending or taxation.

Voter Approval of Budgets and Bond Issues

All budgets must be approved by the appropriate legislative body.

Large municipalities have a city council form of local government. The municipality budget, including the budget for the school department of that municipality, is approved by the council. The degree of council authority over the school department's budget is determined by the city charter, which may allow the council authority over individual lines in the budget or may limit the council's authority to the total budget amount.

Smaller municipalities that operate their own school departments hold town meetings. The town budget, including the budget for schools, is approved by the town's residents in a town meeting or by referendum.

For School Administrative Districts and Community School Districts, the residents of the member towns vote in a district budget meeting to approve a district school budget. The voters of these districts are permitted by law to determine whether they wish to approve their district school budget by referendum. This has, in some instances, required a series of such referendums before a budget is finally approved. State law provides that if a fiscal year begins before a budget has been approved by referendum, the district's proposed budget

will serve as the actual budget until a new budget is finally approved by the voters.

All bond issues must be approved by referendum vote. This includes bond issues for minor capital items (such as roof repairs), as well as for the construction of new school facilities.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

None.

V. BASIC SUPPORT PROGRAM

Funding in 1998–99: \$593 million.

Percentage of Total State Aid: 76.7%.

Nature of Program: Modified foundation plan.

Allocation Units: Pupils.

Pupil counts are based on the number of pupils who reside in a school administrative unit and who are being educated at the expense of a school administrative unit. Two snapshot pupil counts are used: as of April 1st and October 1st of the most recent calendar year prior to the year of funding. The average of these two snapshot counts is used for funding purposes.

Pupils are counted as follows: (a) all regular pre–K through grade 12; (b) plus a calculated amount for secondary school-aged alternative education pupils seeking their high school diploma by taking Adult Education courses - 0.1 pupil is counted for each completed course. Three types of counts are taken: one count representing all pupils, a second count for elementary pupils only, and a third count for secondary pupils only.

Local Fiscal Capacity: The fiscal capacity of each school administrative unit depends upon (a) the average of the equalized assessed value of all real and personal property valuation in the school unit during the two most recent years prior to the year of funding, and (b) *for operating costs only*—median household income of the school unit two years prior to the year of funding, adjusted by a regional cost-of-living (COLA) factor.

For program costs and debt service, 100% of local fiscal capacity depends on relative property values. For operating costs only, 85% of local fiscal capacity depends upon relative property values, and 15% depends upon relative median household income and cost of living.

A local unit's property factor is calculated as property per pupil fiscal capacity for unit x divided by statewide per pupil property fiscal capacity.

A local unit's income factor is the ratio of the median household income for unit x and the statewide median household income divided by COLA for unit x.

How the Funding Formula Works: Since 1996–97, Maine's school funding formula has been based on two school funding statutes: "The School Finance Act of 1985" (ME. REV. STAT. ANN. Tit. 20, § 606); and "The School Finance Act of 1995" (ME. REV. STAT. ANN. Tit. 20, § 606A).

The School Finance Act of 1985 (§ 606) guides the calculation of program costs, debt service, and all adjustments. This statute is also used to determine the *statewide amount* of all operating subsidies.

The School Finance Act of 1995 (§ 606A) guides the calculation of each *school unit* operating cost subsidy. The dollar amount represents a Per Pupil Guarantee.

Education costs that are subsidized through the funding formula are divided into four general categories: operating costs; program costs; debt service; adjustments.

Operating costs and program costs together are referred to as the *foundation*.

Operating costs. Include all expenditures except the following: subsidizable costs that are defined as program costs and debt service costs, as described below; school construction costs not approved by the state; community service costs; expenditures from federal sources, except federal Impact Aid; ½ of salary and benefit costs for superintendents, associate superintendents, and assistant superintendents; transportation costs not associated with transporting students from home to school and back each day; and teacher retirement costs.

Operating costs for the year of funding are first calculated by updating all subsidizable operating costs in the base year (two year old costs) by the average of the two most recent annual increases in the Consumer Price Index (CPI). Three

per-pupil rates, the Foundation Per-Pupil Operating Rates, are established: a K–12 rate, a K–8 rate, and a 9–12 rate. Each of these rates is calculated by dividing the statewide sum of all updated subsidizable operating costs by the average of the appropriate statewide pupil count, as described in the “Allocation Units” section above. An operating cost mill rate is calculated for the limited purpose of acting in tandem with the program cost and debt service millage limits (see below) in determining the state and local shares for the program cost and debt service allocations.

Since the 1996–97 fiscal year, the provisions of the School Finance Act of 1995 have governed the allocation of operating costs. Operating costs for the year of funding are now allocated through the Per-Pupil Guarantee, which replaces the Foundation Per-Pupil Operating Rates for the operating costs allocation.

The Per-Pupil Guarantee is the total amount of operating cost funds made available for each subsidizable pupil. The amount of the Guarantee is set by state policy and by the availability of state revenues. The School Finance Act of 1995 sets the total statewide local share for operating costs at 6.06 mills multiplied by the total statewide property valuation. The state share for operating costs is simply what the Legislature appropriates for education for the year of funding, minus state aid for program costs, debt service, and adjustments.

For each local school unit, the unit’s local share percentage (for operating costs only) is calculated as:

$$\text{State Adjustment Factor} \times [(0.85 \times \text{unit's property factor}) + (0.15 \times \text{unit's income factor})]$$

The statewide adjustment factor is a percentage that is determined so that the appropriate statewide overall local share percentage will result. The percentage may be explained as the local share percentage of a school administrative unit whose property factor and income factor are equal to the state average of these factors.

If this final calculation is greater than 100% (usually for units with high local ability-to-pay), it is reduced to 100%.

Program costs. Include specific programs that are treated separately from operating costs because these categories of programs can have unusually high costs for an individual school unit. Program costs include: costs associated with

transportation; special education; vocational education (applied technology); and early childhood education.

The amount of program cost funding needed for the funding year is calculated by updating program costs in the base year (two year old costs) by the average of the two most recent annual increases in the Consumer Price Index (CPI). A percentage reduction factor is used to reduce the allocation for program costs to ensure that the state's total statewide obligation is limited to the amount appropriated.

The total statewide local share for program costs is limited by statute to 40% of total statewide program costs. The state guarantees that it will fund 60% of total statewide program costs for the fiscal year.

This limitation on the local share of program costs is implemented through the use of a program cost millage limit. The millage limit is used to maintain the 40% local maximum share, and also acts as a "circuit breaker." For each school unit, there is a maximum tax effort for program costs that the unit is required to raise. Once the program cost millage limit has been reached by a local unit, the state pays the balance of program costs for that unit. In 1998–99, the program costs millage limit was 1.11 mills.

Debt service. Includes: principal and interest costs for state-approved school construction projects; state-approved leases; and insured value factor costs.

The level of debt service is the known obligations and estimated new principal and interest costs for the year of funding that have been approved by the State Board of Education, plus state-approved leases and insured value factor costs. A percentage reduction factor is used to reduce the insured value factor allocation for debt service to ensure that the state's total statewide obligation is limited to the amount appropriated.

The total statewide local share of debt service is limited by statute to 45% of total statewide debt service costs. The state guarantees that it will fund 55% of total statewide debt service costs for the fiscal year. The limitation on the local share for debt service is accomplished by a debt service millage limit. The debt service millage limit operates exactly like the program costs millage limit described above. In 1998–99, the debt service millage limit was .50 mills. Debt service is discussed further in Section XV – Capital Outlay and Debt Service.

State Share: For each school unit, the amount of state subsidy is:

The sum of the school unit's state aid for operating costs, program costs, debt service, and adjustments; and for eligible school units, additional state subsidies that are required to bring the state share for those school units up to a minimum level.

Local Share: In order to obtain state share funding, each local unit is expected to raise a local property tax contribution equal to its computed local share of the foundation (operating costs and program costs), as determined through the funding formula. Units with debt service also must raise a computed local share for debt service. If a school unit fails to raise 100% of its computed local share, its state subsidy amount is reduced by the same percentage as the reduced local share. If a school unit's total state and computed local allocation does not cover its budget, the local unit may opt to raise additional local property tax revenues without state participation and subject only to approval of the unit's voting public and local legislative body. In 1998–99, 93% of local school units raised optional local property tax revenues for education.

Weighting Procedures: None.

Adjustments for Special Factors: Adjustments are distributed to school units based on specialized needs. Funding for adjustments is governed by the applicable statute covering an adjustment, or at the discretion of the Commissioner.

Adjustments are added to the total state allocation after the combined state and local allocation is calculated for operating costs, program costs, and debt service. These adjustments are funded entirely with state funds, and do not affect the local allocation.

Additional state subsidy amounts are provided for: funding for State Wards and State Agency Clients, out-of-district placements for special education students, geographic isolation grants, audit adjustments, private school services, a long term drug treatment center, and hardship cushions. Adjustment are also made to include items such as: funding for State Wards and State Agency Clients; out-of-district special education placements; geographic isolation grants; audit adjustments; private school services; long term drug treatment centers; hardship cushions.

Hardship Adjustment

Funding in 1998–99 included a subsidy hardship cushion. The hardship cushion was funded by an additional state appropriation of \$3.0 million. The hardship adjustments consisted of each of the two amounts A and B, for eligible units: 50% based on: aggregate subsidy increase (excluding subsidies for debt service and for bus purchases) is less than 0.575% from 1997–98 to 1998–99, and unit must have had a 1997–98 local tax effort for education of 7.17 mills or more. 50% based on: aggregate subsidy increase (excluding subsidies for debt service and for bus purchases) is less than 1.932% from 1997–98 to 1998–99, and unit must have had a 1997–98 local tax effort for education of 7.17 mills or more, and unit's per-pupil property wealth must be below the state average.

Minimum Subsidy Units

Some school units receive "off the formula" minimum subsidy adjustments. In general, only those school administrative units with high local ability-to-pay receive these adjustments. In 1998–99, 42 school units received minimum subsidy adjustments totaling \$851,069 or about 0.11% of the total state funds for education. The amount of each school unit's minimum subsidy is calculated by multiplying 5% of the state's K–12 Foundation Per Pupil Operating Rate by the school unit's pupils (as described in "Allocation Units", above).

Education in Unorganized Territories

Education in approximately 420 townships is supervised by the Education in Unorganized Territories office of the Maine Department of Education. The budget for Education in Unorganized Territories is funded entirely through a local property tax levy across all the unorganized territories, and is independent from the school funding formula.

Aid Distribution Schedule: The debt service subsidy payment schedule is keyed to the due dates for principal and interest payments at the Maine Municipal Bond Bank or commercial bank. State funds for State Wards and State Agency Clients (discussed in Section VII) are disbursed monthly, following receipt of bills for the cost of special educational services from the school units or private school that provide these services. Out-of-district special education funds are distributed once annually, in the spring, following receipt of bills for education/room/board

charges. All other subsidies described in this overview are distributed in twelve monthly payments of equal amounts.

Districts Off Formula: None.

VI. TRANSPORTATION

Funding in 1998–99: \$35.2 million.

Percentage of Total State Aid: 4.5%.

Description: Subsidies are not provided for transportation as a separate and distinct category. For each school unit, the part of the total allocation for program costs that is attributable to transportation is calculated as the sum of:

the actual transportation costs for that unit during the base year (two years prior to the year of funding); increased by a percentage which is the average of the two most recent percentage increases in the Consumer Price Index (CPI); and

the total cost of all bus purchases made by the school unit during the year prior to the year of funding and that were approved for purchase by the Commissioner of Education. The statutory limit to the statewide total of these approved bus purchase costs is \$5.0 million per year.

State Share: The state share amount provided for transportation is a part of the state share portion of the sum of the school unit's allocations for all program costs. The state share for program costs is calculated as this sum of the program allocations, less the local share portion that is described below.

Local Share: The local share of transportation costs is a part of the sum of the school unit's allocations for all program costs. The local share of all program costs is calculated as the lesser of:

1. the product of (a) the sum of the school unit's allocations for all program costs, and (b) the school unit's local share percentage, and
2. a maximum local share amount for the school unit (see “Program Costs” under “How the Funding Formula Operates”).

Extent of Participation: Not reported.

VII. SPECIAL EDUCATION

Local Special Education Special Education Tuition and Board

Funding in 1998–99: \$72.0 million.

Percentage of Total State Aid: 9.3%.

Description: Subsidies are not provided for local special education and special education tuition and board as separate and distinct categories. For each school unit, the part of the total allocation for all program costs that are attributable to local special education and special education tuition and board is calculated as the actual approved costs for local special education staff salaries and benefits, contracts, and tuition and board charges to that school unit during the base year (two years prior to the year of funding); increased by a percentage which is the average of the two most recent percentage increases in the Consumer Price Index (CPI).

State Share: The state share amounts provided for local special education and special education tuition and board are part of the state share portion of the sum of the school unit's allocations for all program costs. The state share for program costs is calculated as the sum of the program allocations, less the local share portion that is described below.

Local Share: The local shares of local special education and special education tuition and board are a part of the sum of the school unit's allocations for all program costs. The local share of all program costs is calculated as the lesser of:

the product of (a) the sum of the school unit's allocations for all program costs, and (b) the school unit's local share percentage, and

a maximum local share amount for the school unit (see “Program Costs” under “How the Funding Formula Operates”).

Extent of Participation: Not reported.

**Other Special Education Programs:
State Wards and State Agency Clients**

Funding in 1998–99: \$25.5 million.

Percentage of Total State Aid: 3.3%.

Description: State Wards and State Agency Clients are special education pupils whose educational placement is determined by the state. This program provides direct state special education financial assistance for wards of the state and for students who are placed as a result of some state agency involvement.

State Share: The state share amounts are provided as adjustments. The state provides 100% of the special education costs for these pupils, including salary and benefit costs, contractual costs, and transportation costs.

Local Share: None.

Extent of Participation: Any public or private school that provides educational services for these pupils participates in this program.

**Other Special Education Programs:
Out-of-District Placement Funds**

Funding in 1998–99: \$1.7 million.

Percentage of Total State Aid: less than 1%.

Description: The out-of-district program provides assistance to a school unit that tuitions a special education pupil to another public or private school and for which the tuition and board costs exceeds three times the statewide secondary foundation per-pupil cost. The subsidizable special education costs for any school unit receiving out-of-district placement funds are reduced by the amount of funds received.

State Share: The state share amounts are provided as adjustments. The state provides 100% of these costs. However, if the statewide total of the eligible amounts exceeds the amount actually appropriated by the state, the available revenues are prorated among the receiving school units. In 1998–99, approximately \$0.26 was provided for each eligible \$1.00 in placement costs.

Extent of Participation: Not reported.

VIII. COMPENSATORY EDUCATION

No state funds are provided for compensatory education.

IX. GIFTED AND TALENTED EDUCATION

Funding in 1998–99: \$3.9 million.

Percentage of Total State Aid: less than 1%.

Description: Subsidies are not provided for gifted and talented education as a separate and distinct category. Gifted and Talented Programs are subsidized as local special education and/or special education tuition and board costs, as described in Section VII - Special Education. For each school unit, an allocation amount is computed for local special education and/or special education tuition and board costs as part of the total program cost allocation (see “Program Costs” under “How the Funding Formula Works”).

For each school unit, the part of local special education and/or special education tuition and board costs that are attributable to gifted and talented education is calculated as the actual approved costs for gifted and talented staff salaries and benefits, staff development, contracts, materials, and tuition charges to that school unit during the base year (two years prior to the year of funding); increased by a percentage which is the average of the two most recent percentage increases in the Consumer Price Index (CPI).

State Share: See Section VII – Special Education.

Local Share: See Section VII – Special Education.

Extent of Participation: Not reported.

X. BILINGUAL EDUCATION

Bilingual education programs are subsidized as part of the operating costs allocation, as described in Section II – Basic Support Program.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–99: \$0.2 million.

Percentage of Total State Aid: less than 1%.

Description: Maine has two types of early childhood education programs that differ in the manner in how they are treated for state subsidy aid through the school funding formula: (1) Early Childhood Programs, and (2) Four-Year-Olds Programs. The Maine Department of Education encourages the development of such programs, but decisions to implement early childhood programs are made by local school units.

Subsidies are not provided for early childhood education as a separate and distinct category. An allocation amount is computed for Early Childhood Programs as part of the total program cost allocation (see “Program Costs” under “How the Funding Formula Works”). School administrative units offering a Four-Year-Olds Program are allowed to count these students for operating cost subsidy in General Purpose Aid, as described in Section II – Basic Support Program.

The Early Childhood Program originally began with state grants in 1983–84. Two-year grants, requiring matching local funds, were given to school administrative units for the establishment of approved Early Childhood Programs. In order to continue the programs, the expenditures from the state and local funds were used as base year costs for building into program costs in General Purpose Aid. The grant program continued through 1990–91, assisting 74 school units in developing Early Childhood programs. Starting in 1991–92, state funds for the two-year start-up grants were no longer available, but program cost subsidy continues for existing approved programs.

For those school units still participating in Early Childhood Programs, the part of the total allocation for program costs that is attributable to these Early Childhood Programs is calculated as the actual early childhood education costs for that unit during the base year (two years prior to the year of funding); increased by a percentage which is the average of the two most recent percentage increases in the Consumer Price Index (CPI).

Four-Year-Olds Programs are early childhood education programs that have been established by local school units since 1991–92, the year that start-up grants for Early Childhood Programs were discontinued. Each student in a Four-Year-Olds

Program may be counted for operating cost subsidy in General Purpose Aid, as described in Section II – Basic Support Program – Allocation Units.

State Share: The state share amount provided for Early Childhood Programs is a part of the state share portion of the sum of the school unit's allocations for all program costs. The state share for program costs is calculated as the sum of the program allocations, less the local share portion that is described below. The state share amount for Four-Year-Olds Programs falls under operating costs, which are discussed in Section II – Basic Support Program.

Local Share: The local share of Early Childhood Programs is a part of the sum of the school unit's allocations for all program costs. The local share of all program costs is calculated as the lesser of:

the product of (a) the sum of the school unit's allocations for all four programs, and (b) the school unit's local share percentage, and

a maximum local share amount for the school unit (see “Program Costs” under “How the Funding Formula Operates”).

The local share for Four-Year-Olds Programs is a part of the local share for operating costs, which are discussed in Section II – Basic Support Program.

Extent of Participation: Not reported.

XII. OTHER CATEGORICAL PROGRAMS

Applied Technology Education (Vocational Education)

Funding in 1998–99: \$12.5 million.

Percentage of Total State Aid: 1.6%.

Description: Subsidies are not provided for applied technology education as a separate and distinct category. For each school unit, the part of the total allocation for program costs that is attributable to applied technology education is calculated as the actual applied technology education costs for that unit during the base year (two years prior to the year of funding; increased by a percentage which is the

average of the two most recent percentage increases in the Consumer Price Index (CPI).

State Share: The state share amount provided for applied technology education is a part of the state share portion of the sum of the school unit's allocations for all program costs. The state share for program costs is calculated as the sum of the program allocations, less the local share portion that is described below.

Local Share: The local share of applied technology education is a part of the sum of the school unit's allocations for all program costs. The local share of all program costs is calculated as the lesser of:

the product of (a) the sum of the school unit's allocations for all four programs, and (b) the school unit's local share percentage, and

a maximum local share amount for the school unit (See "Program Costs" under "How the Funding Formula Operates.")

Extent of Participation: Not reported.

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–99: \$160 million.

Percentage of Total State Aid: 20.7%.

Description: The state provides 100% of all local school units' employer shares of retirement costs for teachers and other professional educators (except for federally funded staff). Individual contributions to the retirement system are approximately 23% of the employer contributions. State responsibilities for teacher retirement costs is specified in ME. REV. STAT. ANN. Tit. 20, § 7154.

State Share: 100% of the employer costs is provided by the state.

Local Share: None.

Extent of Participation: All school units.

XIV. TECHNOLOGY

Maine's Computers for Schools and Libraries Program

Maine's Computers for Schools and Libraries Program is a program where surplus computers are donated by businesses and other organizations, refurbished by prison inmates, and distributed to schools and libraries.

The distribution criteria are designed to offer refurbished computers to those schools determined to be least able to purchase new computers. The guidelines for the dispersal of computers related to schools are: (1) a goal of one computer for every six students, and (2) the basis for selection of schools is the school's e-rate percentage. Computers provided are "Internet-ready." The program is self-supporting: parts and supplies for refurbishing the computers are funded by a charge of \$150 per computer to schools.

Maine School and Library Network

The Maine School and Library Network (MSLN) provides access to the Internet for public schools and libraries in Maine. In April 1996, the Legislature enacted An Act to Provide Affordable Access to Information Services in All Communities of the State Through Enhanced Library and School Telecommunications. The result was the Maine School and Library Network.

This Network has been created as the result of a ruling by the Maine Public Utilities Commission in a 1995 rate case that required NYNEX (now Bell Atlantic) to fund telecommunications services for public libraries and accredited schools in the state. The project is funded for 5 years with amounts of \$4 million per year starting from June 1, 1995. In January 1996, the Commission approved a plan for NYNEX, in cooperation with the 23 independent telephone companies operating in the state, to connect all of Maine's schools and libraries to the Internet.

Under the plan, every public school, state-approved private school, and public library is eligible for access, connection, training, and a computer, if the school or library has no computer capable of operating on the Network. To date, nearly 100% of all public and state-approved private schools in Maine have been connected to the Network.

Distance Learning - The ATM Project

In November of 1995, Maine voters approved a \$15 million bond issue to raise funds for local technology infrastructure and the purchase of classroom technology equipment for the state's public schools, applied technology centers and regions, and selected public libraries, to connect with and utilize a statewide telecommunications infrastructure. ATM stands for asynchronous transfer mode, a broadband fiber-optic networking system that transmits voice, video, and data.

The State Board of Education and the Maine Department of Education have worked toward a statewide education telecommunications infrastructure that can do the following:

interconnect with every school/region in the state to transmit data and video over a high-speed, state-of-the-art telecommunications network that can access state, national, and worldwide data information;

stress equity and equal educational opportunity by providing universal access to all parts of the state regardless of geography; and

provide enough bandwidth for two-way, interactive, full-motion video for distance learning applications and resource sharing.

In early 1997, five public schools were connected to the ATM network as pilot sites to help develop specifications for data transfer and video classroom equipment. As of 1998–99, 24 schools have signed contracts for ATM service. For the 1999–2000 school year, these 24 schools plus the University of Maine at Orono, the Maine State Library, and the Maine Department of Education will be distance learning sites. Each site will be able to communicate with the other sites using real-time audio and video links, and the Internet.

The ATM Project places distance learning scheduling under the control of each local school.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1998–99: \$54.1 million.

Percentage of Total State Aid: 7.0%.

Description: A state share portion of the debt service allocation is provided as subsidy to each school unit that has state-approved debt service. In 1998–99, the total allocation for debt service was about \$73.8 million. About \$54.1 million, or 73%, of this total allocation was provided by the state as debt service subsidies, and the remaining \$19.7 million was provided by local school units with required local property tax revenues. Subsidies are provided for debt service as a distinct category. For each school unit, the allocation for debt service costs is calculated as the sum of the following three amounts: the actual principal and interest payments for state-approved school construction projects that will become payable during the year of funding by the school unit; the actual cost of all state-approved leases by the school unit during the year prior to the year of funding; and the actual base year (two year old) costs of all insured value factor additions to tuition payments to private schools. The insured value factor addition to a tuition payment is intended to provide a private school with revenues for school construction projects.

This total allocation does not include costs for capital outlay or for debt service payments for school construction projects that are not approved by the state. Neither of these costs are subsidizable costs.

State Share: For each school unit, the state share of debt service is the sum of the school unit's debt service allocations, less the local share portion that is described below.

Local Share: For each school unit, a local share portion of the school unit's debt service allocation is calculated as the lesser of:

1. the product of (a) the sum of the school unit's debt service allocation, and (b) the school unit's local share percentage, and
2. a maximum local share amount for the school unit, which is calculated by multiplying the equalized assessed value of taxable property in the school unit by the debt service millage limit (see “Debt Service” under “How the Funding Formula Operates”).

Extent of Participation: Not reported.

Local Capital Project Financing

A quasi-state agency called the Maine Municipal Bond Bank has been established to market large bond issues for the financing of numerous school construction projects and other municipal projects. Over 90% of bond issues for school construction are handled through the Maine Municipal Bond Bank. The remaining issues are marketed through commercial banks. Voter approval is required before bonds may be sold.

The State Board of Education must approve the amount of state subsidizable costs of any school construction projects. Often a certain portion of the project costs is not approved for subsidizing and must be financed entirely with a local property tax levy.

Revolving Renovation Fund

The Revolving Renovation Fund provides loans to school administrative units for school repairs and renovation. The Legislature established the Revolving Renovation Fund in early 1998 with an initial appropriation of \$20 million to be distributed during the 1998–99 fiscal year.

The application, approval, and funding processes are administered by the Maine Department of Education, and loans are distributed through the Maine Municipal Bond Bank. A portion of the principal payments of a loan for an eligible school administrative unit may be forgiven, based on the school administrative unit's state share percentage of debt service costs and the priority of the project. The balances of loans not forgiven are interest-free. The fund is "revolving" because loan repayments by school administrative units are recycled back into the program.

Projects in the following categories are eligible for funding from the Revolving Renovation Fund, in the following priority order: (1) health, safety and compliance repairs, (2) repairs and improvements not related to health, safety and compliance, (3) upgrade of learning spaces in school buildings and small-scale capital improvements, and (4) other repairs, as approved by the Commissioner of Education.

Applications for Revolving Renovation Funds are assigned priority status, determined by need. All emergency projects, those defined as posing imminent danger to the health and safety of students and staff, are funded before non-

emergency projects. Funds are distributed based on funding availability and a school administrative unit's readiness to proceed.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Maine Learning Results

In March of 1996, the Maine State Legislature adopted the Learning Results to establish education standards that apply to all Maine students educated at public expense. The Learning Results have been developed to provide consistency in what is taught and measured in all of Maine's public schools, and to establish high learning standards for all Maine students so that they will graduate with the knowledge and skills to be lifelong learners.

The Learning Results have been developed within several content areas. Within each area, content standards define students' knowledge and skills, and performance indicators describe student learning at the end of four grade spans: pre-K to grade 2, grade 3 to grade 4, grade 5 to grade 8, and grade 9 to grade 12. All Maine schools must have a system in place to support all students in achieving the Learning Results by the end of the 2002-03 school year.

The legislation, An Act to Initiate Education Reform in Maine, requires that a statewide system for assessment of student work be established. Student achievement of the Learning Results, established in ME. REV. STAT. ANN. Tit. 20, § 6209, will be measured by a combination of state and local assessments to measure progress and ensure accountability.

The 4th grade, 8th grade, and 11th grade results of the Maine Education Assessment (MEA) are the state assessments used to measure achievement of the Learning Results. These testing results were used to measure achievement beginning in the 1998-99 school year. Local school administrative units may develop additional assessments to measure achievement of Learning Results, including student portfolios, performances, demonstrations, and other records of achievements.

XVII. REWARDS/SANCTIONS

No state programs exist for rewards or sanctions.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Maine does not have a general law governing the establishment and operation of non-traditional public schools. Two non-traditional public schools in Maine are covered under specific statutes, however. The state appropriations for these schools are determined on a year-by-year basis.

Governor Baxter School for the Deaf

The Governor Baxter School for the Deaf is established as a public school pursuant to ME. REV. STAT. ANN. Tit. 20, § 7401-7410 for the purpose of educating deaf students. Students from Maine may attend the school free of tuition and room and board expense. Funding for these students is based on the amount necessary to satisfy the individualized education programs of these students, as defined by department rule. Students from other states and countries may attend the school on a space-available basis by paying the cost of tuition, fee, and room and board as established by the school board. State funding for the Governor Baxter School for the Deaf amounted to \$4.7 million for the 1998–99 fiscal year.

Maine School of Science and Mathematics

The Maine School of Science and Mathematics is established as a public, chartered school pursuant to ME. REV. STAT. ANN. Tit. 20, § 8201-8207 for the purpose of providing certain high-achieving high school students with a challenging educational experience. Students from Maine may attend the school free of tuition charges. Funding for students from this state is limited to the amount appropriated for this purpose. Students from other states and countries may attend the school on a space-available basis by paying the cost of tuition, fees, and room and board as established by the school board. State funding for the Maine School of Science and Mathematics amounted to \$1.5 million for the 1998–99 fiscal year.

XIX. AID TO PRIVATE SCHOOLS

Funding in 1998–99: \$0.2 million

Percentage of Total State Aid: less than 1%.

Description: Maine does not allow the direct subsidization of private schools. However, state law allows a municipality to raise money to help pay for certain private school costs. In addition, public schools that pay tuition to private schools receive a subsidy for these costs at their respective rates of state aid based on provisions of our school finance act.

State Share: The state share amounts are provided as adjustments (See “Adjustments” under “How the Funding Formula Works”), and is limited to the amount appropriated for this purpose. The state pays 50% of reimbursable costs, or a prorated portion thereof, two years later.

Local Share: The local share is 50% of the reimbursable costs, plus whatever additional amount is not provided by the state because of prorating.

Extent of Participation: Not reported.

XX. RECENT/PENDING LITIGATION

None.

XXI. SPECIAL TOPICS

School Choice

Maine law provides for limited school choice. This choice is provided in two ways. First, if two superintendents agree, a student who resides in one school administrative unit is allowed to enroll in the another school unit as if the student were a resident in the other school unit. In such instances, the state subsidy funds follow the student to the school unit of enrollment. A second method allows small school administrative units that do not operate schools in some (or all) grades to arrange for their resident pupils to be tuitioned to nearby public schools or to private schools that have been approved for tuition purposes. Choice may be involved in such instances, if the school administrative unit of residence offers their pupils some latitude regarding which nearby school to attend. Maine does not have a voucher system for school choice.

Significant Changes to Maine's School Funding Formula Effective in 1999–2000

The school funding legislation that was enacted and signed into law in June of 1999 represents a significant change in Maine's school funding formula. Two aspects of this legislation are especially important:

The school funding formula now specifies a phase-in plan, over four years beginning with 1999–2000, to more completely recognize the actual costs of education in Maine, and reduce the reliance on unequalized property tax revenues to support local education. This plan is discussed in more detail in A and B below.

A long-range goal is established, in statute, for a new financial groundwork for school funding, based on those essential programs and services that are sufficient to achieve Maine's Learning Results standards for all of the state's students. In addition to the changes described above, several short-term actions established in the legislation will contribute to this long-range goal. These are described in C - E below.

- A. Four-year phase-in plan to increase and equalize the operating funds behind each Maine student the Per Pupil Guarantee amount is set in statute each year and represents the combined state and local revenues that the funding formula will guarantee for each student. Currently, the Per Pupil Guarantee amount is set without regard to the actual level of per pupil costs in Maine districts.

The new statute includes a four-year plan that is designed to gradually decrease – and, by 2002-2003, eliminate – the gap between the legislatively-set Per Pupil Guarantee amount and the actual level of per pupil expenditures.

- B. Four-year phase-out of all subsidy reductions. In 1998-99, subsidies for program costs, except transportation and bus purchases, ignored 21.06% of subsidizable costs for these programs. Transportation subsidies ignored 12.89% of subsidizable transportation costs. Although statutes require the state to fund approximately 62% of all subsidizable program costs, the effect of the reduction percentages is that the state has been paying a lesser portion of these subsidizable costs. At the end of the four-year period, the state will again be paying its statutory share of approximately 62% of all subsidizable program costs.
- C. Preparing for Essential Programs and Services. Maine's Learning Results are the state standards, embodied in Maine law, that spell out what public school students should know and be able to do at various points in their education. Essential Programs and Services are the means to reach that goal.

A Task Force has already reported to the Legislature on its recommendations regarding these essential programs and services, including: (a) school Personnel, (b) supplies and equipment, (c) resources for specialized student populations, (d) specialized services, (e) district services, and (f) school level adjustments.

The legislation enacted in June of 1999 authorized the continuation of work to refine the Essential Programs and Services approach, and to prepare for implementation. This includes: additional study of certain areas related to Essential Programs, including transportation, special education, vocational education, efficiency of school operations and school performance, regional cost of education adjustment, how other states calculate and use income in a school funding formula, and the amounts and types of state and local revenues that should be used to fund public education; and computer programming to revise the Maine Department of Education's data collection and data reporting systems for better alignment with the information needs for Essential Programs and Services funding, and for monitoring implementation in each school.

- D. Ability-to-pay measures. Median household income remains as a measure of local unit ability-to-pay in the operating costs portion of funding formula, but is frozen at the amount used for 1997–98 funding, after adjusting for unusually large increases from the 1996–97 income level. These income levels will remain frozen until the final federal Decennial Census income data becomes available.

The cost-of-living adjustment (COLA) is eliminated.

- E. Other Features. In 1999–2000, a subsidy hardship cushion guarantees that every school unit will receive at least the amount of state subsidy that it received in 1998–99. Funding for this provision utilizes one-time 1999–2000 revenues totaling \$3.8 million.

A declining enrollment adjustment will be implemented. For school units that are losing students, an averaging of pupil counts over two calendar years (instead of only one calendar year) will be used to help local school units manage fixed costs that cannot be reduced. This adjustment does not apply to tuitioned pupils.

Appropriations for debt service and for adjustments will be separated from the other General Purpose Aid appropriation.

A new adjustment is provided for ESL (English as a Second Language) /Bilingual instruction, based on eligible ESL/Bilingual expenses, with an appropriation of \$1.0 million in 99–2000 and \$1.6 million in 2000–01.