

Regional Cost Adjustment for Teacher Salaries --

In order to address teacher salary gaps in school districts the following is recommended:

- There shall remain 35 labor market areas as currently included in the essential programs and services funding formula.
- Regional cost adjustments for labor market areas shall be no more than 105% of the state average teacher salary, on an equal education and experience average salary basis as computed by MEPRI. The regional cost adjustment shall be updated on an annual basis by MEPRI and such adjustment incorporated into the EPS formula.
- Any school administrative units in a labor market area that would receive a regional cost adjustment of below 95% in any given year, shall be given the amount resulting from the difference in the EPS rate between its labor market actual rate and 95% on the condition that these additional funds be used for the express and sole purpose of augmenting teacher salaries beyond then current levels. All school administrative units receiving this adjusted amount shall provide adequate documentation to the Department of Education that funds were used to increase teacher salaries above the level they would have been absent these funds or return the additional money to the state. Any school administrative unit that is shown to have not used the funds in the prescribed manner shall not receive this adjustment in future years.

RATIONALE:

Because the regional cost adjustment is based upon actual salaries paid statewide-- adjusted for education levels and experience -- a provision specifically targeted at increasing funding in those areas below 95% of the state average and requiring the funds only be used for the purpose of augmenting then current salary levels will increase the average salaries in those labor market areas over time, closing the salary gaps that currently exist and bringing more equity to salaries on a statewide basis. Nineteen LMAs would qualify for the targeted funds in 2014, increasing the LMAs adjustments from .01 to .18 and an average of .063. (Note: Four LMAs would be affected by the cap of 1.05 from 2014 numbers, only three would be affected by the cap from current 2005 levels.)

In order to be effective any such provision must:

- Require targeted school administrative units to use the additional funds for the express purpose of paying higher than current salaries.
- Annually update this component so that the cost adjustment is based upon actual current teacher salaries.
- Cap the top regional cost adjustment rate in order to help offset the funding of raising the lower paying regions to .95 and to help maintain equity in the formula by realizing those districts that pay substantially more than the state average, since this component is based on actual cost, have an ability to pay that amount without additional resources from the state.

Debt Service for Locally Approved School Construction Projects in the Required Local Share of School Funding --

No change from current.

RATIONALE:

Most of the concern for this issue comes because of confusion in how to account for minor capital improvements. Clarifying the accounting practices should address this issue. Minor capital improvements should fall under Facilities Maintenance expenditures, capital renewal and renovation, annual payment on loans, which counts toward the EPS local contribution. Minor capital improvements were being incorrectly reported under Debt & Other Commitments, Principal and Interest Local Major Capital Debt, which is non state-funded debt. This accounting clarification should address the issue sufficiently. Local major capital debt are projects that are locally decided without state input or funds and should remain as non state-funded debt and outside of the EPS calculation.

Special Education Allocation for Minimum Subsidy Receivers --

In order to address the Mandated Legislative Appropriations for Special Education (\$15753) the following is recommended:

- For each 1 percent increase in the state contribution, or portion thereof, the special education allocation will increase by 10.3% of the state contribution increase amount until the 100% funding requirement is reached.

ILLUSTRATION 2013-14:

	<u>State Contribution</u>		<u>Minimum Special Ed Adjustment</u>	
Start	\$ 943,846,108	45.84%	\$ 8,323,796	30.0%
	\$ 964,434,740	46.84%	\$ 10,444,834	37.6%
	\$ 985,023,372	47.84%	\$ 12,565,871	45.3%
	\$ 1,005,612,003	48.84%	\$ 14,686,909	52.9%
	\$ 1,026,200,635	49.84%	\$ 16,807,946	60.6%
	\$ 1,046,789,267	50.84%	\$ 18,928,984	68.2%
	\$ 1,067,377,899	51.84%	\$ 21,050,022	75.9%
	\$ 1,087,966,531	52.84%	\$ 23,171,059	83.5%
	\$ 1,108,555,163	53.84%	\$ 25,292,097	91.2%
	\$ 1,129,143,794	54.84%	\$ 27,413,134	98.8%
	\$ 1,132,374,751	55.00%	\$ 27,745,987	100.0%

RATIONALE:

As part of the 55% state funding mandate, 100% of the cost of special education costs were required to be paid to school administrative units. From the present starting point of 30% being paid, this formula will raise the minimum special ed adjustment in a uniform, consistent manner that will reach 100% when the state contribution reaches 55%.

State Contribution to Fund the Cost of the Unfunded Actuarial Liability for Retired Teachers --

In regard to the use of costs associated with the unfunded actuarial liability for retired teachers and other related retirement costs it is recommended:

- The total cost of the State Contribution to teacher retirement, teacher retirement health insurance, and teacher retirement life insurance pursuant to Maine Revised Statutes, Title 5, chapters 421 and 423 be removed as a component in determining the State Contribution toward funding public education from Kindergarten to Grade 12.

ILLUSTRATION:

<u>FY 2014-15</u>	
UAL	\$ 147,283,723
Retired health	\$ 26,000,000
Retired life	\$ 3,660,000
Total retirement	\$ 176,943,723
Total Cost of Funding Public Education K-12 including retirement	\$ 2,235,806,906
State Contribution including total retirement	\$ 1,120,789,831
State Share including total retirement	50.13%
Total Cost of Funding Public Education K-12 excluding retirement	\$ 2,058,863,183
State Contribution excluding retirement	\$ 943,846,108
State Share excluding retirement	45.8%
State Contribution needed to fund at 55% excluding retirement	\$ 1,132,374,751
State Contribution increase needed to fund at 55% excluding retirement	\$ 188,528,643

RATIONALE:

Retired health, life and UAL costs were included toward the State Contribution of Funding for Public Education K-12 for purposes of determining the state percentage contribution for the first time in FY12. The inclusion of these costs artificially increased the state's contribution toward the 55% funding mandate without increasing resources to schools by a single dollar. As well, because what is included in the computation of 55% funding has changed, this measurement no longer provides an apples-to-apples comparison over time of state funding toward the 55% mandate. The Mandated Legislative Appropriations for Kindergarten to Grade 12 Education (\$15752) established in 2005 that total allocation "means the foundation allocation for the year, the debt service allocation for that year, the

sum of all adjustments for that year and the total of the additional local appropriations for the prior year." Likewise, only the state's contribution toward the components that make up the total allocation should be included in the State Contribution as was the case prior to FY12 and additional line items, such as retirement costs, should remain out of the state contribution calculation. Maine voters demanded through referendum the funding of education at 55% based on the accounting at the time, and accounting gimmicks shouldn't be used to meet this mandate.