



Date Due: January 15, 2024

Revised: February 5, 2024

Source of Report: LD 1160 – Resolve 2023, Chapter 118

Topic: Resolve, Directing the Department of Education to Analyze Data on the Essential Programs and Services Funding Formula and Allocation Methodology

Context

Resolve 2023, Chapter 118 directs the Maine Department of Education (DOE), in conjunction with the Maine Education Policy Research Institute (MEPRI) to identify and conduct an analysis on school funding and allocation methodology. To support this analysis, the DOE participated in monthly work sessions with the Education and Cultural Affairs Committee from September through December 2023, sharing the overall methodology of the Essential Programs and Services (EPS) funding formula, as well as targeted presentations focusing on: transportation cost allocations, analysis of a municipality’s “ability to pay,” EPS allocation model for career and technical education (CTE) centers, calculations and metrics for the economically disadvantaged student factor, and overall equity of the EPS system.

The EPS system was enacted into statute in 2002, after eight years of study and research. Since its inception as Maine’s funding formula for schools, two major comprehensive studies were conducted on EPS, and MEPRI has been contracted to conduct yearly reviews of specific EPS system components. Most notably, the 2013 report from Picus and Associates (the so-called “Picus Report”) provided an in-depth analysis of the suitability and effectiveness of Maine’s EPS formula and compared it among national and regional peers for equity and resource capacity.

EPS is complex: to make small changes in one aspect of the funding formula fundamentally necessitates ripple-effect changes in other areas. Changing the formula to improve funding for a specific demographic of students alters the allocation across all SAUs, increasing some while lowering other, because there is only one pool of funding to be shared across all Maine SAUs. While there may be actions that the Legislature desires to take regarding EPS, any change must be done carefully, and with the full picture of the entire funding formula in mind. This report will outline the key learnings, analysis, and provide recommendations to the committee, with a focus on maintaining equity and providing students with the funds needed to provide them with the opportunity to achieve the Maine Learning Results (MLR).

History

In 1993, Governor John McKernan signed into law An Act to Enhance the Role of the State Board of Education (1993). A primary focus of this legislation was to develop a set of long-range goals and standards for both school performance and student achievement. The recommendations made by the State Board of Education would inform the development of the Maine Learning Results. Subsequently, in 1994 and 1995, working groups were established to focus on school funding by developing an implementation plan for funding essential educational programs and services. While we now think of the Maine Learning Results as informing the EPS model, it is important to note that at this time, these works were simultaneously under development. The Maine Learning Results which inform EPS, were established with the eight content areas in statute in 1995 (An Act to Initiate Education Reform in Maine, 1995). This followed the 1994 federal reauthorization of Elementary and Secondary Education Act in the 1994 Improving America's Schools Act which required all states develop state standards.

Additionally, during this time period and prior, school funding was allocated as a fixed per-pupil guarantee amount. This means that what was spent in any given year was considered the total cost of education (Dow, 1998). While inflationary adjustments were made on a year-to-year basis, the total amount of funding was dependent on what was spent in the prior year. The work under development between 1993-1997 was a departure from this historic norm as the study group investigated the possibility of an adequacy-based formula.

The Committee focused on identifying an equitable funding formula that cooperated with the Maine Learning Results concluded with the delivery of a report in 1999. The work was informed by empirical evidence, actual costs, and best practices in other states such as MA, NJ, and WY which had all made attempts at defining core education aligned with core costs of education (Silvernail, 2011). Models from the Education Commission of the States (ECS) were reviewed, and 420 public comments were received from 25 public forums seeking stakeholder inputs (Silvernail, 2011). Stipulations were made to restrict the work to only those programs that were essential to achieve the Maine Learning Results. Elements of consideration that fell outside the scope of the study included taxpayer equity, capital improvements, technology, and components outside of MLR required for a comprehensive education.

Component Evaluations

As a result of Resolve 2023, Chapter 118, the Maine Department of Education, in conjunction with the Maine Education Policy Research Institute was required to analyze school funding data and reports, as well as any other relevant data and reports available to make recommendations to the Education and Cultural Affairs Committee. This analysis was to specifically include the following elements:

1. Transportation costs as indicated in section 15681-A, subsection 3, including the predicted per-pupil transportation costs and transportation for secondary school students and transportation to and from cocurricular and extracurricular activities;

2. A municipality's ability to contribute to school funding as calculated in section 15672, subsection 23 through the certified state valuation and the potential inclusion of median income in the allocation methodology and its impact on equity;
3. The EPS funding model for Career and Technical Education centers and regions under Chapter 333;
4. The disadvantaged student factor as outlined in section 15675, subsection 2, the economically disadvantaged student adjustment under section 15689, subsection 11 and any other targeted funds to support economically disadvantaged students; and
5. Any other components requiring further data collection or analysis.

Actions

In the preparation of this report, strategy and planning meetings were held to prepare, research, and collaborate. These meetings took the form of virtual/hybrid opportunities for members of the Department to collaborate with internal team members and content area experts, individuals from MEPRI, inter-agency discussions relating to data access, and communication with colleagues in other states on best practices. Concurrently, four interim meetings were scheduled with the Education and Cultural Affairs Committee to discuss the EPS system and update legislators on the progress of the study. Meetings were held on September 12, 2023, October 3, 2023, and December 5, 2023. A meeting originally scheduled for November 7 was postponed and an additional date of January 18, 2024, was included. Each of these meetings had a robust agenda, including in-depth explanations of myriad aspects of the EPS formula, and were staffed by members of the DOE's School Finance and Legislative Teams.

September

In September, presentations focused on an overview of EPS, including its legislative history, the components that make up EPS, how the funding formula is used, and perceived current needs. In addition, presentations were given about minimum receiver status.

September interest focused on sweeping historical information about the inception of the EPS formula and included several primers on elements such as minimum receiver, the "purple sheet", and the ED 279: each a critical part of the EPS process and crucial to the remainder of the DOE presentations to the committee. The committee stated an interest in learning more about per-pupil expenditures which is a changeable variable that is included on the ED 279 and in the EPS formula bound by Title 20-A §15676.

October

October's interim meeting discussed how a town's "ability to pay" is measured, with a presentation from Maine Revenue Service to further illustrate how that is measured based on town valuation. Additionally, MEPRI presented their findings in items related to the DOE's overall study of the EPS system.

Committee interest focus returned to previous conversations on per-pupil expenditures and also included special education funding and accountability. Accountability is a separate process from the EPS funding formula and received a dedicated presentation on January 4, 2024. Special education funding related to Special Purpose Private Schools will receive a dedicated presentation on January 18, 2024.

In December's interim meeting, the Department discussed special education funding, CTE funding, adult education, and transportation. The DOE walked through the high-level sequence of calculations for an SAU's special ed allocation and subsequent distribution. MEPRI shared their insights on the ways the current system exacerbates inequities. MEPRI also shared thoughts about a revision to the system based on payment of services rendered.

The Department described how CTE centers and regions are funded by the state with additional resources provided by federal funds. Similar information was shared for both adult education and transportation funding. The DOE reviewed the other funding items that are considered as part of the "purple sheet".

Recommendations

Recommendations from Prior Evaluations

EPS Committee, 1999

The original EPS report delivered by the State Board of Education and the Maine Department of Education included additional areas of investigation, or support programs that were needed to support the EPS model. Early childhood education, parental involvement, and gifted and talented programs were identified as essential components to the success of Maine students. The report further insisted that the recommendations were intended to identify "an adequate and equitable amount of resources" necessary for Maine students to achieve the Learning Results but was not intended to outline required spending by category, nor intended to limit the other areas in which a school unit may fund programs.

Silvernail, 2011

Dr. David Silvernail, one of the founding researchers of the EPS model, published a survey of EPS in 2011, whose goal was to describe the history, development, and current status of the cost determination part of EPS. This study was passed by Legislative resolution and required the Department of Education and the Maine Education Policy Research Institute to analyze the components of EPS, including the original policy goal or objective, and a detailed description of the original and current methodology used to calculate the required resources.

Dr. Silvernail's recommendation was a reassessment of the formula to "reaffirm or affirm new fundamental purposes, structures, and processes to ensure equitable education opportunities across the state" (Silvernail, 2011).

Picus, 2013

Picus and Associates conducted their research into EPS through a review of official documents, two data collection trips to Maine that included meetings with the Education and Cultural Affairs Committee, Legislative staff, officials of the Maine Department of Education, representatives of education stakeholder groups, and concluded with a public hearing held by the Education and Cultural Affairs Committee. The Legislature allocated \$150,000 from the General Fund in 2011-2012 and \$300,000 in 2012-2013. The final amount for the study was \$427,175. Picus and Associates determined that Maine designed a school funding system that provides districts with an equitable distribution of resources. The inequities in the system did not appear to be related to

student needs, although the report does recommend alternative ways to distribute funds to schools in order to help meet the needs of their specialized student populations. The study also indicates that Maine should consider developing a model of teacher compensation at the state level. In their research, Picus and Associates determined that states that have elected to allow local compensation models have been largely dissatisfied with the results.

Their recommendations included identifying ways to address the funding disparities that arise resulting from relative wealth disparities across SAUs. One suggested remedy is to include a guaranteed tax base on top of the state's foundation program. The Picus report (2013) indicates that this is (or was) done in eight other states. This solution would deliver a guaranteed amount of revenue per pupil. Ultimately, Picus determined that Maine's formula was equitable before the impacts of SAUs' differing abilities to raise funds above what was required. In short, disparities appeared to be related to local fiscal capacity rather than flaws in the formula.

MEPRI Recommendations

Ability to Pay, 2023

While prior evaluations of the EPS formula have demonstrated a high degree of equity within the formula, there are elements outside of the formula that contribute to inequities among SAUs. For instance, calculation variables within the EPS formula do not account for the independent expenditures that may be made by some relatively wealthier SAUs. In fact, when reviewing for equity, it is only after these independent expenditures are factored in that the inequities among the SAUs become problematic. A study to better understand where SAUs are making their independent expenditures may inform a component review that would help address inequities at the formula level.

Another challenge impacting the ability to pay factor is the lack of inter-agency data sharing agreements statewide. This data barrier presents challenges in terms of the Department's ability to independently research more equitable calculations and prevents the finance teams from posing answerable questions relating to income, home value, and other elements that may impact equitable allocation of the state share. Several tax-related programs such as rebates have been proposed by MEPRI research and are documented in their reports. Two such programs are the circuit breaker program and a property tax rebate or other individually targeted taxpayer relief programs. However, without tax data to better inform a recommendation such as this, it is difficult to say where the most beneficial action may be taken.

Recommendations relating to ability to pay also center around the benefits of legislative action to update the EPS components that is grounded in the on-going 3-year MEPRI component reviews. This cycle of component reviews includes a series of recommendations at each delivery. Moving forward, the Legislature may make use of those recommendations to update components based on current need and resource availability.

CTE, 2021

Funding for Career and Technical Education currently flows through the SAUs. On closer examination, this may not be the most efficient use of resources that are directed toward CTE students. A SAU that receives funding for CTE may have neither a CTE center, nor students that participate in CTE programming. Thus, funding for CTE may be caught in an administrative

limbo and not reach the destination it was intended for. Targeting funding directly to CTE centers and regions is one recommendation MEPRI makes in order to correct this problem.

In addition to programming costs, equipment and construction are strategic needs in CTE. Developing a special and dedicated fund exclusively for equipment purchase and construction goals would be one solution to these unique challenges.

Disadvantaged Student Factor, 2023

Declining usage of the Free and Reduced Lunch Program form has contributed to inaccurate tallies of students living in poverty conditions. While the Department continues to seek out alternative poverty metrics within the State of Maine, with national colleagues, and with our Congressional delegation, there is, as of yet, no solution we can offer. The Department remains committed to pursuing alternative metrics and will deliver those recommendations as soon as they are tested.

Transportation, 2019

The MEPRI conclusion on transportation indicates that the transportation component is an accurate representation of the actual student transportation costs. However, as with many of the EPS components, SAUs which can allocate more discretionary spending may receive a greater state subsidy than is reflected in a needs assessment. Similarly, SAUs which spend less may not be as capable of taking advantage of savings due to reductions in their cost allocation and state subsidy. Accordingly, MEPRI recommended continuing the cycle of updates that currently occurs every three years and suggested that additional data collection may provide some clarity On where additional adjustments to the model may be made.

DOE Recommendations

After careful consideration of the elements outlined in LD 1160, collaboration with DOE staff and MEPRI colleagues, and reviewing the recommendations from past EPS studies the Department of Education believes that there are three areas of the EPS formula warranting a more careful review. First, expenditure driven components have repeatedly been highlighted as the highest driver of inequity within the formula and in particular, Special Education costs. Second, the ability to pay determination is also consistently highlighted as a significant driver of inequity within the formula. Related to this element is the regional adjustment, which has never been updated and has varying impacts on communities. Third, the “purple sheet” stands out as in need of further study. Any further study of these elements must include education stakeholder representatives from all regions of the state. The Department also recommends modeling of any potential adjustments to the EPS formula as a result of further study.

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