



Maine Education Association

Grace Leavitt President | Jesse Hargrove Vice President | Beth French Treasurer
Rebecca Cole NEA Director | Rachelle Bristol Executive Director

Testimony

In Support

LD 154: An Act Regarding Special Education Function for So-called Minimum Receiver School Administration Units

LD 385: Resolve, Directing the Department of Education to Examine Alternative Metrics for Determining the Disadvantaged Student Factor in the School Funding Formula

LD 1402: An Act to Provide an Additional Allocation in the School Funding Formula to Cover Tax-exempt Property or a Large Economically Disadvantaged Student Population

Neither For Nor Against

LD 1160: Resolve, Directing the Department of Education to Conduct a Study on the Equity of the State Education Subsidy Formula

In Opposition

LD 951: An Act to Amend the State Education Funding Formula to Create Equity Between Municipalities by Adding Median Income to the Formula

LD 1369: An Act to Amend the Essential Programs and Services Funding Formula to Include All Costs for the Transportation of Students

John Kosinski, Government Relations Director, Maine Education Association

Before the Education and Cultural Affairs Committee

April 12, 2023

Senator Rafferty, Representative Brennan and other esteemed members of the Education and Cultural Affairs Committee,

My name is John Kosinski (he/him) and I am proud to serve as the Director of Government Relations for the Maine Education Association (MEA). The MEA represents 24,000 educators in the state of Maine, including teachers and other professionals in nearly every public school in the state and faculty and other professional staff in the University of Maine and Community College Systems.

I submit this testimony on behalf of the MEA.

The MEA is in support of LD 154, An Act Regarding Special Education Funding for So-called Minimum Receiver School Administration Units.

In this Committee we often talk about the ballot initiative passed by voters in 2003 and 2004 (and later affirmed with a ballot initiative in 2016) to fund 55% of the cost of pre-k-12 public education with state aid. But we often overlook another component of that ballot initiative. In fact, the 2004 initiative

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clearly stated the state shall pay “100% of the costs of special education services that are mandated by federal or state law.”¹ This component of the ballot initiative was designed to provide direct state support for special education for minimum receiver towns, since so much of the special education requirements borne by public schools are directly attributable to federal and state regulation.

In addition, the 100% state funding for mandated special education services was designed to help minimum receiver towns – these are towns with high property values. The funding formula computes the required local contribution and when the minimum mil rate is applied to these towns, the formula calculates that they will have the funding necessary from property taxes to meet the calculated cost to operate their local public schools. However, these towns can and should receive funding for mandated special education services as per the ballot initiative passed nearly two decades ago by voters.

LD 154 proposes a modest increase in funding for required special education programming from the current 50% to 55%. It is important to note, in fiscal year 2005-2006 until fiscal year 2007-2008, the state was paying 84% of the special education costs for minimum receivers. But like other funding for public schools during the LePage years, special education funding for minimum receivers was squeezed. From fiscal year 2011-2012 until fiscal year 2016-2017, the state only paid 30% of the cost of qualified special education services, except for one year where the state contribution was lifted to 35%. While we hold the state can and should provide the 100% funding for required special education services as per the ballot initiative approved by voters, we support any effort to lift the amount the state pays for these services to students.

As written, we believe LD 154 will require an appropriation. The bill proposes to increase the special education funding for school districts in the current school year and solidifies the 55% state aid payments for succeeding years. The school funding calculations for next school year have already been set, as per LD 424, the current services budget passed in March. If nothing else, we propose at least establishing 55% state aid or more for special education costs of minimum receiver towns beginning in the 24/25 school/fiscal year.

While we support increasing the state’s special education funding for minimum receivers, we do not believe Section 4 requiring a “review and report” is necessary. We feel the formula is working as intended, and we are already aware of the “trends” and “factors” impacting these towns and communities. Specifically, skyrocketing property values in some communities are directly impacting their state aid. This Committee in the past has helped by allowing for the smoothing of property values to account for sudden gains and losses. We believe the solution is for bills like LD 154 to pass so the state can realize its commitment to these towns by supporting their special education programs.

¹ Please see, Maine School Finance and Tax Reform – Carry Over (2004), found here: [Maine School Finance and Tax Reform Carry-over, Question 1 \(2004\) - Ballotpedia](#)



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The MEA is in support of LD 385, Resolve, Directing the Department of Education to Examine Alternative Metrics for Determining the Disadvantaged Student Factor in the School Funding Formula.

This is an important bill and we hope the Committee will consider moving this forward expeditiously.

As the Committee has already heard in other testimony, the free school meals program is a smashing success. All kids in public schools have access to nutritious food while at schools – every day they are in school. Not only have meal programs improved, especially with the work that has been done in previous sessions by this Committee to prioritize local foods in schools, but now every child can eat while at school for free regardless of whether their parents completed the USDA form.

However, as this Committee has also heard, we have found downstream impacts of the free meal programs. Specifically, schools have struggled to incentivize families to complete the required free/reduced meal forms. Not only does this result in less federal aid to support our school nutrition program, but it also impacts key elements of our school funding formula and complicates socioeconomic metrics for students.

For decades, the free/reduced lunch rate has been the key indicator for student poverty. The free/reduced lunch rate is baked into our school funding formula and the formula provides additional state support for schools based on the number of students who qualify. Yet, with the gaps in families completing the forms, the free/reduced lunch figures are likely a poor reflection of the socioeconomic configuration of schools and the state may be not sending state aid to communities that need it to support low-income students. Updating this metric in our funding formula is important.

While Maine is on the forefront with our free meals programs, other states are grappling with this same question. Luckily, there are many great people and organizations hoping to solve this problem. Certainly, the staff in the Maine Department of Education have been deeply engaged in this effort. Our friends at Full Plates, Full Potential have engaged various stakeholders and they are regularly communicating with the Department of Education. Maine Equal Justice and Maine Center for Economic Policy among others have also been engaged in discussions.

We support this bill because we feel an alternative metric is important, necessary and should be figured out quickly. By requiring a Working Group, more hands and stakeholders can be engaged in finding a solution. We suggest the Resolve be amended to allow the Committee to report out a bill. The solution will likely require a change in statute to reflect an alternative socioeconomic metric.

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The MEA is opposed to LD 951, An Act to Amend the State Education Funding Formula to Create Equity Between Municipalities by Adding Median Income to the Formula.

While the Picus study of Maine’s school funding formula is now ten years old, it still provides a valuable touchpoint for evaluating any proposed changes to the school funding formula. We fully understand and appreciate why this Committee sees proposals such as LD 951 nearly every session. Some towns may be minimum receivers due to high property values, often due to coastal or lakeside real estate. Yet some of these same towns may be low income or have large pockets of low-income communities tucked away from the high value areas.

The Picus study of the school funding formula reviewed this subject. Here are a few key quotes from their report, “An Independent Review of Maine’s Essential Programs and Services Funding Act: Part 2:” “Overall, Maine has designed a school funding system that provides SAUs with an equitable resource distribution, as revenues are computed by the system. Within the EPS component our analysis shows Maine’s equity to generally meet the strict equity standards established in the school finance literature.”²

“We found no relationship between EPS per pupil funding and SAU property wealth. The Maine system, as designed, met (or very nearly) met all of the strict benchmarks established by Odden and Picus (2014) for fiscal neutrality and equity. In other words, the level of spending was not strongly related to the wealth of the SAU (measured in terms of property wealth per pupil and in terms of per-capita income), and overall per pupil spending levels were generally equitable across all students. When adjusted for student characteristics, per pupil spending remained equitable, providing roughly the same level of revenue for students with similar characteristics.”³

“This led us to conclude that trying to solve the problems of [High Property Wealth/Low Household Income] SAUs through the school funding formula would be difficult and likely very expensive. In discussions with the Committee, we recommended that they consider a circuit breaker approach to focus the assistance more directly on low-income households.”⁴

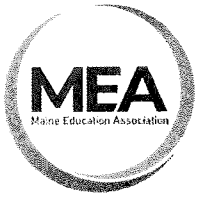
“How income is incorporated as a measure of a school district’s wealth is just as important as whether it is included at all. Simply adding income to property values often results in unintended consequences such as funding decreases for low-income districts and funding increases for high-income districts.”⁵ Instead, after thoroughly reviewing this subject, the Picus study underscored the need to provide targeted property tax relief to low income households. Many of the High Property Wealth/Low Household Income (HPW/LHI) communities have second homes for vacationers or summer people. Programs like the Homestead Exemption or Property Tax Fairness Credit, formerly the “circuit breaker,” are designed to provide targeted relief to primary residents and low-income homeowners.

² Please see, [5397 \(maine.gov\)](#), page iv.

³ Ibid.

⁴ Ibid, page ix.

⁵ Ibid, page 13.



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This session, LD 1202, *An Act to Increase the Homestead Exemption to \$50,000* sponsored by Representative Theriault, will lift the Homestead Exemption for all Maine residents from the current \$25,000 exemption to \$50,000. This will help HPW/LHI communities, if it passes. It will help all Maine residents with property taxes on their primary residence by exempting more of the value of their property from the local real estate tax. The impact on a property worth \$200,000 will be far greater than a property valued in the millions. A more generous Homestead Exemption will provide targeted relief to all Maine homeowners, while allowing local towns to collect more in property taxes from vacation homes, second homes, short-term rental properties, and another non-Homestead property.

Another bill, LD 1225, *An Act to Protect Housing by Increasing the Property Tax Fairness Credit* sponsored by Representative O'Neil proposes to increase the maximum Property Tax Fairness Credit. This proposal, if passed, would increase the Property Tax Fairness credit to \$1500 per tax year for qualified residents under 65, and to \$2000 for those over 65. This proposal will provide greater support for low-income households struggling with property tax increases.

We would argue LD 1202 and LD 1225 are better solutions for HPW/LHI communities. We are concerned about significant changes to the school funding formula at this stage. It has been only a few years that the state has finally fulfilled its obligation to fund 55% of the cost of public schools, and we encourage more analysis and data at the 55% funding threshold before making significant adjustments to the formula.

The MEA is neither for nor against LD 1160, Resolve, Directing the Department of Education to Conduct a Study on the Equity of the State Education Subsidy Formula.

We do not believe another equity study is warranted. We feel strongly the Picus study of 2013 was exhaustive and informative and remains relevant today. Many of the funding formula questions that come before this Committee were interrogated as part of that study. The Picus review was clear – our state's funding formula is among the most equitable in the country, and the major flaw was the lack of state aid through the funding formula.

However, while we do not feel another study regarding equity is warranted, we believe there are significant concerns about the state's commitment to school construction. Many of Maine's public schools are old and in need of replacement or repair, evidenced by the school construction list produced every few years. Typically, scores of schools put in for the school construction process, but each cycle the state can only fund less than 15% of all the proposed projects. Many communities are forced to pay for these projects with local property taxes, thus putting more pressure on homeowners and crowding other funding for educator salaries and programs for students.

We encourage the Committee to consider analyzing our state's current school construction model and capacity and to better understand other state models for school construction. Fully understanding the capital needs of public schools and proposing new models for school construction financing could chart

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new and novel approaches to helping local communities have safe, well-designed and up-to-date schools.

While the bill calls for a third party to conduct the study, we encourage the Committee to consider using the talent and in-state expertise of the Maine Education Policy Research Institute (MEPRI) of the University of Maine System. MEPRI typically produces high value reports for this Committee and the Maine Department of Education through specific contracts.

The MEA is opposed to LD 1369, *An Act to Amend the Essential Programs and Services Funding Formula to Include All Costs for the Transportation of Students.*

We certainly understand and appreciate the sponsor's intent. We know some school districts cover vast areas and especially with the rising cost of fuel, some districts have seen unexpected cost increases to transport students.

But our opposition to LD 1369 is because of the concerns it raises about equity. As you have already heard, some towns have enough property values locally to support all the required costs of public schools. The towns of Mount Desert Island are a prime example, where the required mil rate for schools creates enough revenue to support the local public schools and to cover all the necessary costs for local public schools. Without dedicated, set-aside funding for this purpose, the bill would distribute less money through the school funding formula and therefore will have a negative impact on districts that receive most of their funding from the state – Lewiston and Calais are prime examples.

Earlier this session we supported LD 386, *An Act to Assist Schools with Heating and Transportation Fuel Costs During the School Year*. This bill was a one-time appropriation to help schools with the rising cost of fuel for the current school year. Since then, gas prices have remained mostly stable, and will hopefully remain that way for the foreseeable future. This proposal too would cause inequity, again as some school districts pay well above the minimum mil rate for schools. But that bill reflected a one-time payment to support schools with the unexpected fluctuations in fuel prices. We would be deeply concerned if LD 1369 was passed and this inequity was able to live on year-after-year in our school funding formula.

The MEA is in support of LD 1402, *An Act to Provide an Additional Allocation in the School Funding Formula to Cover Tax-exempt Property or a Large Economically Disadvantaged Student Population.*

This bill proposes a novel approach to providing additional targeted supports to schools with concentrations of economically disadvantaged students and attempts to account for cities and towns with a significant amount of tax-exempt property due to the presence of private colleges, hospitals, state government properties, among others. LD 1402 attempts to create its own cascade to capture unspent revenue dedicated to public education and redirects that funding to schools to provide additional targeted support to disadvantaged students. Every year there is unspent funding in the General Purpose Aid for Local Schools line of the budget. This bill will capture that funding in a separate account, and allow the Commissioner to disburse the funding to districts with plans to address "academic and social success" of disadvantaged students.

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During the LePage administration, some time was spent on better understanding the impact of tax-exempt property on school funding, but the analysis was minimal and should be better understood. While tax-exempt property is not directly included in the state's valuation property calculation, tax-exempt property often has downstream impacts on cities and towns and may have a direct impact on the ability for cities and towns to raise their required local share, or more. Tax-exempt property often reflects positively on a community. I live in Brunswick, for example, home to Bowdoin College and a private, tax-exempt hospital, among other tax-exempt properties. Our community benefits from these

institutions, no question. But in some communities, Brunswick included, as institutions grow and expand they may remove more property from the tax rolls. We are unsure whether the 15% threshold called for in the bill is the right figure, and we suggest the Committee consider additional study to fully understand the impact of tax-exempt property in Maine and any downstream impacts on local school funding.

Thank you for your time and your service to the people of Maine, and I will do my best to answer any questions you may have.

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