

An Independent Review of Maine's Essential Programs and Services Funding Act

Presented to the
Maine Legislature's

Joint Standing Committee on Education and Cultural Affairs
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Mission Statement

Lawrence O. Picus and Associates is an independent school finance consulting group whose mission is to work collaboratively with states and school districts to improve the way public resources for education are translated into improved student learning.



Discussion Framework

- Policies that Address the Needs of High Property-Wealth School Districts with Low-Income Households
 - Alternative fiscal capacity measures report
- Report on EPS funding model
 - Using Evidence Based (EB) Model as an analytical lens for recalibration of EPS
 - Report on findings from PJP and Stakeholder Forums
- Cost Model
 - EPS costs and costs of alternatives
 - Funding distribution model
- Next steps



Policies That Address the Needs of High Property-Wealth School Districts with Low-Income Households



Overview

A major concern that emerged during our study was the issue of “*tax equity.*”

There is a sense that in a number of high property-wealth districts, there are large numbers of low-income households that face significant challenges meeting their property tax obligation for schools.



Overview

- Identified the issues faced by high property-wealth, low-household income (HPW/LHI) SAUs
- Outlined possible policy solutions
- Illustrated how other states currently address these important issues
- Made recommendations in how Maine might want to address these issues



Issues Faced by High Property-Wealth, Low-Household Income Districts

- 49 states share the cost of education between the state and local districts on the basis of each district's ability to pay
- 40 states measure a district's ability to pay based on property wealth alone
- 9 states make use of other measures of fiscal capacity in addition to property wealth



Issues Faced by High Property-Wealth, Low-Household Income Districts

Using property values as the only measure for a district's ability to pay can be problematic because property values alone "... (do) not accurately measure the current ability of a property owner to pay the tax imposed." (*Brennan & Delogu, 2000*)



Issues Faced by High Property-Wealth, Low-Household Income Districts

HPW/LHI districts experience two potential funding dilemmas:

- High or excessive tax burdens as a result of paying a greater proportion of their income in local school taxes
- Decreases in school funding because residents are unwilling to vote for higher property taxes to pay for educational programs

Moreover, in those cases where individuals live on a fixed income, high property values create a risk they will be forced out of their homes.

State Remedies

- **Provide assistance to school districts**
 - Establish minimum school funding payments
 - Make use of an alternative fiscal capacity measure
- **Provide direct assistance to property taxpayers**
 - Property tax “circuit breakers”
 - Homestead exemptions



Maine's System

- **Minimum Payments:** For the 2012-13 school year the minimum payment to districts was the greater of three percent of the SAU's minimum adjustment or 35% of the SAU's special education adjustment
- **Use of an alternative fiscal capacity measure:** Maine made use of income as a wealth measure starting in 1996 (85% property/15% income) – but discontinued it after less than a decade

Maine's System

- **Property Tax Circuit Breaker:** Property owners whose property taxes exceed 4% of total household income and have household incomes that do not exceed \$64,950 (single) or \$86,600 (multiple members) can qualify for this credit. The credit ranges from 25% to 100% of property taxes paid based on income. The maximum credit is \$400.
- **Homestead Exemption:** Homeowners who have lived in Maine for at least twelve months and make the property they occupy on April 1 their permanent residence qualify for a homestead exemption. These homeowners can exempt the first \$10,000 of a home's value from property taxes.



Minimum Funding Payments

- **Minimum funding per student:** Five states (California, Illinois, Iowa, New York and Texas) provide a minimum funding amount per student regardless of district wealth. The amount that states provide ranges from \$120 in California to \$500 in New York.
- **Guaranteed percentage of funding:** Two states (Florida and Pennsylvania) provide a guaranteed percentage amount of funding to districts. Florida guarantees that districts will receive at least 10% of their base-funding amount from state sources and Pennsylvania guarantees 15%.
- **Minimum funding per school/grade:** Montana provides districts with a guaranteed amount of funding per grade in elementary school (\$23,593), junior high (\$66,816) and a minimum amount of funding for any high-school (\$262,224)

Alternative Measures of Fiscal Capacity

- **Income:** Four states (Connecticut, Massachusetts, New Jersey & New York) measure a district's ability to pay based 50% on property values and 50% on income
- **Retail Sales:** Tennessee uses a district's property tax base as 50% of their fiscal capacity measure and 50% based on their sales tax base

Alternative Measures of Fiscal Capacity

- **Income & Retail Sales:** Virginia makes use of three measures, they are: property tax base (50%), income tax base (40%) and sales tax base (10%)
- **Low-Income Students:** Rhode Island uses a combination of property values (50%) and the relative percentage of students eligible for free/reduced lunch in grades Pre-K to 6th (50%)
- **Multiple Measures:** Maryland uses a combination of real and personal property values, taxable income and the public utilities assessable base

How Income Is Incorporated is Important

- When income is added to property wealth it can produce unintended consequences – such as supplying additional funding to high income, high wealth districts (*See Silvernail & Sloan, 2010*)
- This happened when Maine made use of income starting in 1996
- To avoid this problem property wealth needs to be multiplied by an income factor



Circuit Breakers

- Circuit breakers are designed to reduce the property tax liability for individuals whose property tax payments represent a large portion of their household income by providing them with an income tax credit
- 35 states have “Circuit Breaker” programs
- Only 14 states and the District of Columbia make this program available to taxpayers regardless of age or disability status



Circuit Breakers

- 14 of the 15 circuit breaker programs have some form of income requirement – West Virginia is the only exception
- All 15 states have maximum household income requirements which range from \$18,000 (New York) to \$190,500 (Connecticut)
- Four states have maximum property value requirements ranging from \$85,000 (New York) to \$500,000 (Vermont)



Circuit Breakers

- Maryland is the only state that has a maximum net worth requirement which is currently set at \$200,000
- The maximum credit for these circuit breaker programs ranges greatly from a low of \$75 (New York) to a high of \$8,0000 (Vermont)



Special Circuit Breakers

Minnesota and Montana have special circuit breaker programs that are only available to taxpayers who have experienced dramatic increases in their property values

- Minnesota: If a taxpayer's property taxes increased by more than 12% in 1 year they are entitled to an additional tax credit of up to \$1,000
- Montana: If a home's value increased by at least 24% between 2008 and 2014 the homeowner is entitled to a reduction in their taxes of between 30% and 80%



Homestead Exemption

Our study found that in addition to Maine, twelve states and the District of Columbia provide a homestead exemption to all taxpayers regardless of age or disability status

- Only Wyoming and the District of Columbia have income qualifications for their homestead exemptions
- Minnesota is the only state that has a qualification on the home's value
- Kansas only provides the homestead exemption to homes that have experienced home valuation increases of over 7%
- In seven states and the District of Columbia the homestead exemption reduces a taxpayer's property taxes
- In six states the homestead exemption is designed to reduce a taxpayer's income tax



Recommendations

Assistance to School Districts

Consider use of a multiplicative income factor in the EPS funding formula

There is a substantial body of research showing that, all things equal, districts with lower (higher) median household incomes have lower (greater) preferences for education and consequently spend below (above) average levels. A multiplicative income factor helps ameliorate these tendencies making access to education services more equitable across all districts.

Recommendations

Assistance to Individual Taxpayers

Expand the current circuit breaker to provide a larger amount of property tax relief

An expanded program could:

- Establish tiered levels of assistance
- Include limits on maximum household income or
- Cap maximum property value/maximum net worth

To fully protect lower income families from excessive property tax burdens, the relief could be aimed at ensuring that school property (or total property) taxes do not exceed a certain percentage of family/household income.



Using EB as an Analytical Lens for EPS Recalibration



The Evidence Based Model:

A Research Driven Approach to Linking Resources to Student Performance

Core
K-3: 15 to 1
4-12: 25 to 1

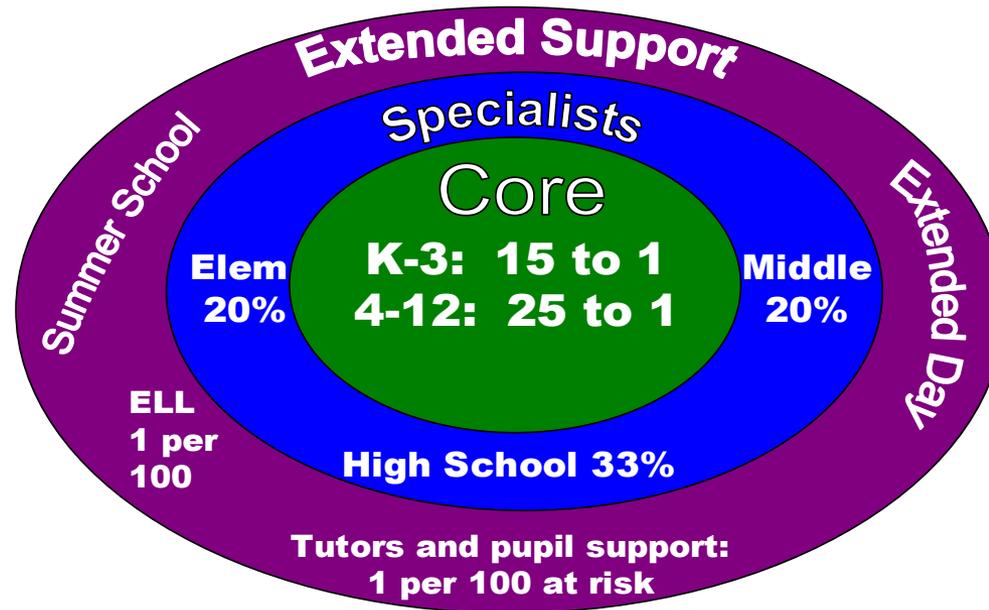
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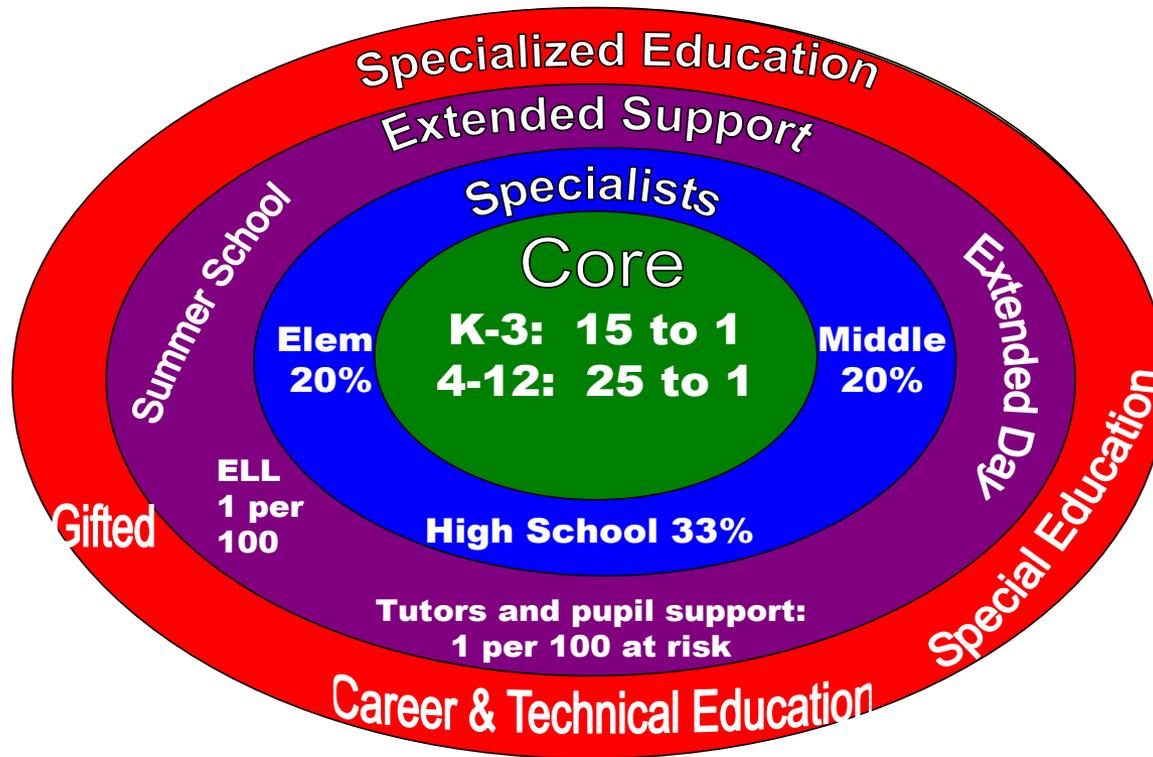
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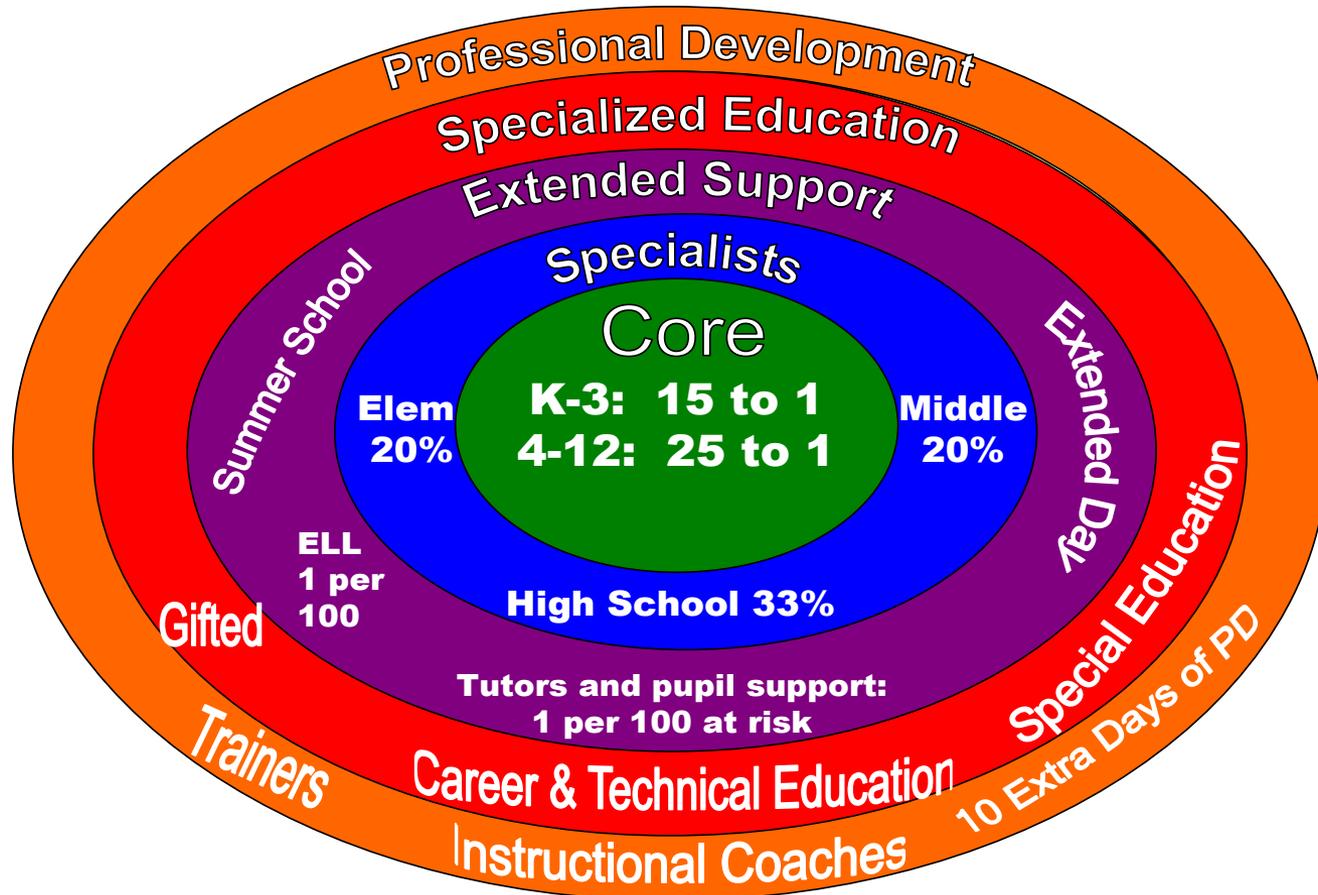
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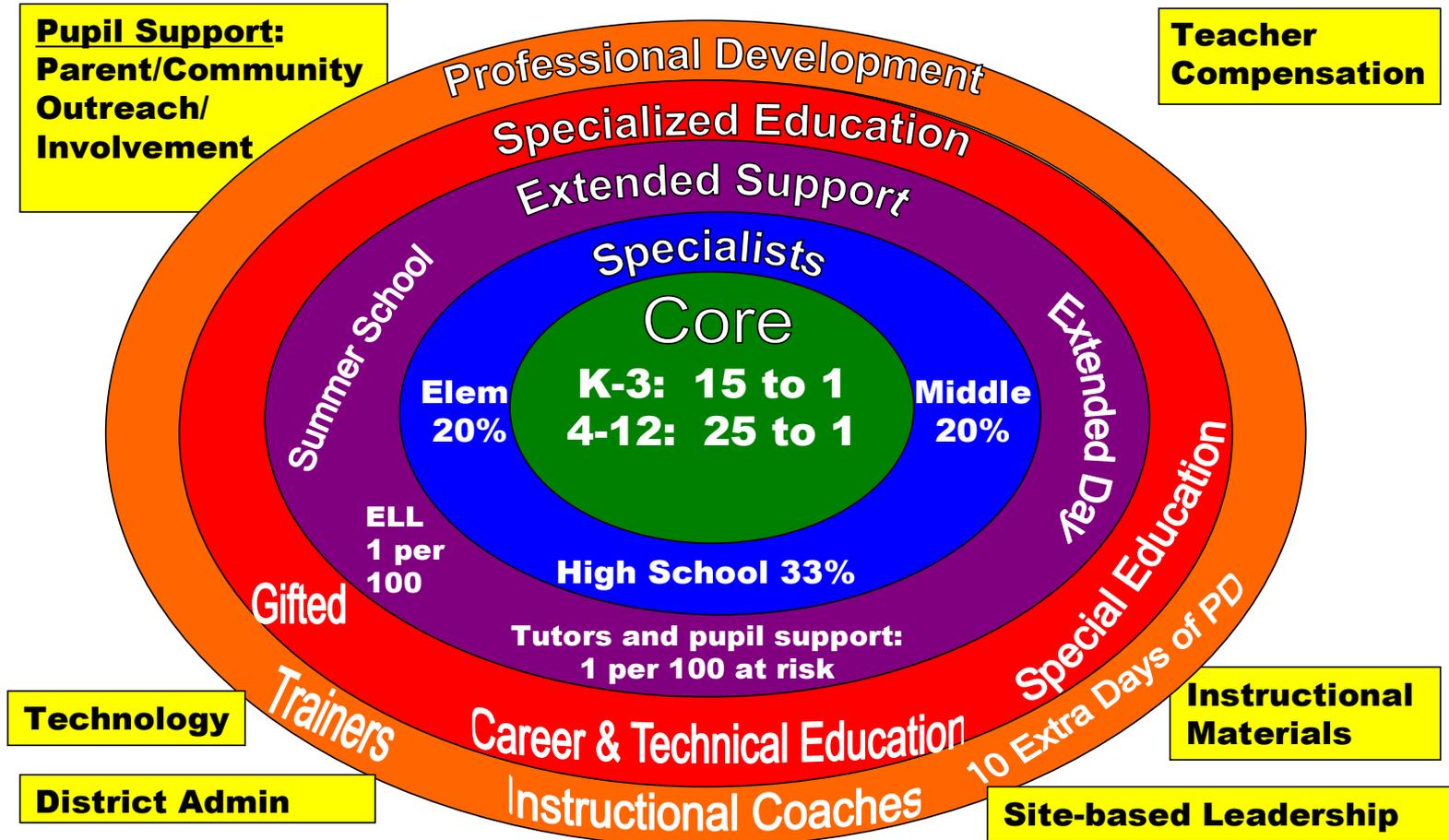
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The Evidence Based Model:

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General Comments From PJPs and Stakeholder Forums

- Dissatisfaction with implementation of 55% funding level
 - Clarity in what is subject to 55% funding
 - Want state to fully fund the 55% requirement
- EPS has become a maximum level of support rather than a minimum level of support
- Reassess transportation funding
- High property wealth/low household income districts

General Comments

- Dissatisfaction with regional cost adjustment
- Concerns over teacher compensation
- Participants wanted more transparency in computation of the EPS
- Uncertainty and timing of establishment of required property tax rate each year is problematic for district planning

Preschool

Element	EPS	EB
Class Size	Counted as full-day K students, resourced on elementary staffing ratio of 1:17 for teachers	Preschool class size of 1 teacher for every 15 students
Instructional Aides	1:100 for Ed Techs	1 Instructional Aide or Ed Tech for every 15 students

Class Size & Staffing Ratios

Element	EPS	EB
<p style="text-align: center;">Class Size & Staffing Ratios (Excluding Instructional Coaches which EB adds)</p>	<p>Elementary staffing ratio of 1:17 for teachers</p> <p>Middle school staffing ratio of 1:16</p> <p>High school staffing ratio of 1:15</p>	<p><i>Elementary</i> core class sizes of 15 K-3, and 25 grades 4-5, with additional 20% for elective classes, for overall elementary staffing ratio of 1:15.62</p> <p><i>Middle</i> school core class sizes of 25 with 20% more for elective classes for overall ratio of 1:20.83</p> <p><i>High</i> school core class sizes of 25 with 33% more for elective classes for overall ratio of 1:18.75</p>

Class Size Issues

- Dislike of distinction between core and elective classes in EB given requirements of Maine Learning Results – some EB electives are not optional
- Distinction between core and elective complicated comparison of EB and EPS
- Both appear sufficient for a range of class schedules
- Concern over elementary class size “jump” from 15 to 25 at 4th grade

Class Size Issues

- Time for collaboration and individual planning was an issue – particularly at the elementary level
- In many schools represented at PJPs, class size exceeds 25 – this appears to be a function of the single ratio for teachers in EPS
- Reduced class size
 - 18-20 elementary
 - ~20 middle and high school
 - Some suggested higher ratio for elective than core classes

Class Size Summary

	<u>EPS</u>	<u>EB</u>
Elementary	1:17	1:13.45
Middle	1:16	1:18.75
High	1:15	1:17.1

Coaches/Professional Development

Element	EPS	EB
Instructional Coaches	\$24 per pupil	1 instructional coach for every 200 students
Pupil Free Days	NA	Total of 10 pupil free days for the teacher work year so an approximate increase of 5 days and paid at the average daily rate
Resources for Training	\$57 per pupil	\$100 per pupil

Extra Help for Struggling Students

Element	EPS	EB
Economically Disadvantaged Students	Extra weight of 0.15 for each SAU ED student	
Tutors or Tier II Intervention teachers		1 FTE per 100 ED students
Extended Day Academic Help Programs		1 FTE per 120 ED students
Summer School		1 FTE per 120 ED students
Additional Pupil Support (in addition to guidance and nurse discussed below)		1 FTE per 100 ED students
LEP/ELL Students	Extra weight Based on SAU LEP student: <15 0.7 16-250 0.5 >251 0.525	1 FTE per 100 ELL students

Special Education

Element	EPS	EB
Special Education Overall	Extra weight of 1.27 for all identified special education students, plus adjustments for small districts	
Special Education, Mild and Moderate		1 FTE teacher and 0.5 special education aide per 150 all students
Special Education, Severe and Profound		100 % state funded
State aid deductions		Federal Title VIb

Gifted and Talented

EPS	EB
State approved costs	\$25 per all students

Career and Technical Education

EPS	EB
State approved costs	\$9,000 per CTE Teacher for High Tech Equipment

Substitute Teachers

EPS	EB
\$36 per pupil	5% of all teaching staff

Pupil Support Staff

Element	EPS	EB
Pupil Support Staff		
Guidance Counselors	1 FTE per 350 elementary and middle students 1 FTE per 250 high school students	1 FTE per 450 elementary school students 1 FTE per 250 middle and high school students
Nurses	1 health professional per 800 students	1 Nurse per 750 students

Instructional Aides/Education Technicians

EPS	EB
1 per 100 pupils K-8 1 per 250 9-12 students	None

Supervisory or Duty Aides

EPS	EB
No specific allocation	1 FTE per 225 elementary 1 FTE per 225 middle 1 FTE per 200 high school

Librarians

Element	EPS	EB
Librarians	1 per 800 K-12 students	1 librarian position for every 450 elementary and middle students and every 600 high school students
Library technicians	1 Library technician for every 500 K-12 students	No library technicians

Principals and Assistant Principals

Element	EPS	EB
Principals	1 administrative position per 305 K-8 students 1 administrative position per 315 9-12 students	1 per 450 elementary and middle students 1 per 600 high school students
Assistant Principals	No specific recommendation	1 per 600 high school students

Principal/AP

PJP Recommendations

- Elementary (per 450 students)
 - 1 principal
 - 1 AP
- Middle (per 450 students)
 - 1 principal
 - 1 AP
- High School (per 600 students)
 - 1 principal
 - 1 AP for every 300 students – to include the athletic director



School Clerical Staff

EPS	EB
1 per 200 K-12 students	1 per 225 elementary and middle students 1 per 200 high school students

Computer Technologies

Instructional Materials

Student Activities

Element	EPS	EB
Computer Technologies	\$95 per K-8 pupil \$288 per high school pupil	\$250 per all pupils
Instructional Materials	\$377 per K-8 pupil \$466 per 9-12 pupils	\$170 per K-8 pupil \$205 per high school pupil
Student Activities	\$33 per K-8 pupils \$111 per 9-12 pupil	\$250 per all pupils

Central Office

EPS	EB
\$215 per pupil	\$494 per pupil to support a prototypical 3,900 Student SAU central office of 9 professional, 9 clerical/secretarial and 1 computer technician positions.

Maintenance and Operations

EPS	EB
<p>\$1,013 per K-8 student \$1,204 per 9-12 students</p> <p>To support custodians and groundskeepers as well as major facility renovation</p>	<p>\$494 per pupil to support just custodians and groundskeepers</p>

Benefits

EPS		EB	
Teachers, Guidance		Teachers, Guidance	
Library, Health	21.65 %	Library, Health	21.65 %
Ed Technicians	36 %	Ed Technicians	36 %
School Admin	14 %	School Admin	14 %
Clerical	29%	Clerical	29%

Regional Cost Adjustment

EPS	EB
The Maine Regional Cost Adjustment based on labor market regions and comparisons of actual teacher salaries adjusted for experience and education	A more economic approach using either the Hedonic or Comparable Wage Index approach

Teacher Salary Schedules

- Mixed response to all proposals for change in how teachers are paid
- Many suggested implementation of new evaluation system needs to precede any changes
- Many others would not support change in the structure of salary schedules even with a new evaluation system

Adjustments for Small Schools

- EB is based on a prototypical district of 3,900 students
- Elements of EB can be prorated down to a district size of 390
- Separate prototypes for districts of
 - 390
 - 195
 - 97.5
- Under EPS only adjustment is 2012-13 change to increase staffing ratios by 10% for all non-teacher staff in districts with fewer than 1,200 students

Cost Model

- Estimates costs of EB model under alternative assumptions
 - Most parameters can be varied
 - Compares EB allocation for 2012-13 with EPS actual for 2012-13
 - For entire state
 - District-by-district (SAU level)



Distribution Model

- Estimates changes in SAU state and local funding levels using alternative measures of fiscal capacity
- Based on totals estimated in the cost model

Next Steps

- Decisions on EPS cost elements
- Case study findings
- Establish October meeting dates (end of October)



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