



STATE OF MAINE
DEPARTMENT OF EDUCATION
23 STATE HOUSE STATION
AUGUSTA, ME 04333-0023

JANET T. MILLS
GOVERNOR

PENDER MAKIN
COMMISSIONER

March 8, 2021

Senator Matthea Daughtry, Co-chair
Representative Michael Brennan, Co-chair
Members of the Joint Standing Committee on Education and Cultural Affairs

Dear Senator Daughtry, Representative Brennan, and Members of the Joint Committee,

LD 566, An Act To Address Labor Market Inequities in the School Funding Formula requires that beginning in fiscal year 2024-25, when the Commissioner of Education makes the regional adjustment in the total operating allocation for each school administrative unit, also known as the labor market adjustment, the Commissioner may not make an adjustment in the total operating allocation that decreases a school administrative unit's (SAU) allocation for teacher and other school-level staff salary costs. The bill also requires the Commissioner to reduce the adjustment incrementally to **zero** between fiscal years 2021-22 and 2024-25 for any school administrative unit for which the regional adjustment in fiscal year 2021-22 results in a decrease in the unit's allocation for teacher and other school-level staff salary costs. Finally, the bill requires the Commissioner to maintain the adjustment amount at the fiscal year 2021-22 amount for the subsequent 3 fiscal years for any school administrative unit for which the adjustment in fiscal year 2021-22 results in an increase in the unit's allocation for teacher and other school-level staff salary costs. This approach will raise the total cost of education for the state and SAUs currently under the 1.0 regional adjustment by allowing those SAUs to phase in the growth to their required local share. The phase in will create a smaller annual burden to taxpayers, assuming the state can also contribute adequate funds to support its share of the increase to the total cost of education.

Section 1 of the bill removes unnecessary language and adds language regarding how the regional adjustment of under 1.0 in the school funding formula should be applied, with incremental adjustments in FY 2023 and 2024 to reach full implementation in FY 2025. This section also freezes regional adjustments for those SAUs over 1.0 to the same adjustment as used to calculate FY 2022 subsidy allocations.

This bill concept was proposed during the 129th Legislature with LD 309, which requested to eliminate the regional adjustment factor. The bill resulted in a Resolve for Maine Education Policy Research Institute (MEPRI) to report on the regional adjustment factor. The report contains recommendations for updating the labor market regions, which determine the adjustment factor. The report also includes various scenarios and estimated costs. LD 309 has been reintroduced during the 130th Legislature as LD 270.

Current practice adjusts the Essential Programs and Services (EPS) model for labor market area differences in school staff salaries. This bill would change how the cost of education is calculated and setting the "floor" at 1.00 would redistribute funds within GPA. Without

sufficient state funding to buffer the impact, units currently under 1.00 would be required to raise additional local funds.

The regional adjustment was included in the EPS model to account for the fact that the same salary matrix is used for all SAUs, no matter where they are located. If the Department only uses an index that goes up, but does not go down, values will not be equalized. For those that work in a region of the State that the cost of living is less than another region, the Department would provide the employing SAU with funding exceeding actual costs, as the Department would not be able to equalize the salary amounts to account for the regional differences. By the same token, those that work in a region of the State where the cost of living exceeds other regions, and continues to grow, the funding formula would not recognize that growth.

Before making a change of this caliber, the Department recommends careful consideration of the minimum teacher salary statutory requirement, its impact on the salary matrix, and any unintended consequences for SAUs with a regional adjustment of less than 1.0. MEPRI is best suited to engage in this analysis and provide considerations for the Committee's review.

The estimated fiscal impact to bring all SAUs with a regional adjustment under 1.0 up to 1.0 is \$22.6 million, including state and local funds. The "phase in" approach outlined in this bill would occur over three fiscal years. Therefore, the Department estimates approximately one third of that cost, \$7.5 million state and local funds, per year. If the state is able to maintain its current percentage of state share over the life of enacting this language, that would calculate to a state share of \$3.9 million annually needed to support this component growth.

It is important to note that not all SAUs that would benefit funds from this approach serve a large portion of low-income students. The Committee may want to consider including a disadvantaged index. Also, the Department believes there is a language error; the labor market index would not be set to zero – it would be set to 1.0.

The Maine Department of Education is happy to provide additional information on LD 566 and answer questions during the upcoming work session.

Sincerely,

DocuSigned by:



Joanne Allen, Director

School Finance and Operations