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MSSA
Maine School Superintendents Association

TESTIMONY NEITHER FOR NOR AGAINST

L.D. 270

AN ACT TO AMEND THE REGIONAL ADJUSTMENT INDEX TO ENSURE SCHOOL DISTRICTS DO NOT RECEIVE LESS THAN THE STATE AVERAGE FOR TEACHER SALARIES

AND

L.D. 566

AN ACT TO ADDRESS LABOR MARKET INEQUITIES IN THE SCHOOL FUNDING FORMULA

Senator Daughtry, Representative Brennan and members of the Education and Cultural Affairs Committee. I am Eileen King, deputy executive director of Maine School Management Association, testifying on behalf of the legislative committees of the Maine School Boards Association and Maine School Superintendents Association neither for nor against L.D. 270 and L.D. 566.

Our associations are testifying neither for nor against these two bills dealing with Labor Market Areas and the regional adjustment index because this component of the funding formula affects the school districts we represent differently, depending on their location in the state. We generally do not take positions on funding bills that involve distribution, but rather feel our job is to advocate for overall increases in General Purpose Aid.

That said our legislative committees for both School Boards and superintendents agree the Labor Market indices need to be reviewed because they have not been updated since they were adopted.

What Labor Market a district is in affects its allocation for teacher salaries under the Essential Programs and Services funding formula. Education level and years of experience of the teaching staff is the major component, but that is adjusted for differences in costs in the region, including average wages. Opponents of using the LMA as part of the EPS salary adjustment say they become a self-fulfilling prophecy since regions on average that pay less get less.

We are not prepared to offer a solution at this time and believe that would be premature. Instead we would recommend the DOE share with appropriate groups the MEPRI study on what are now called Regional Adjustment Calculations, formerly knowns as Labor Market Areas, issued in November of 2019. This a link to that report: https://files.eric.ed.gov/fulltext/ED561355.pdf.

It is a good starting point to inform the debate around Regional Adjustments. There is a list of recommendations in the report, and those are attached to this testimony.

Steven W. Bailey
MSBA Executive Director

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Recommendations from the MEPRI Report:

Review of Geographic Cost Adjustment Components in the Essential Programs and Services Model

November 2019

Summary of MEPRI Recommendations

As detailed in the evaluation and discussion above, it appears likely that the practice of using salary data as a measure of regional differences in labor markets is imperfect. Salaries are indeed influenced by labor market factors (e.g. cost of living differences, regional competition for jobs, etc.), as can be seen by overall patterns that vary systematically across the state. This is best demonstrated by the finding that there are high-poverty districts in some parts of the state that pay at or above the state average, and low-poverty districts elsewhere that are able to pay below the state average. However, salaries also depend on each district's ability to raise taxpayer funds in annual budget discussions. This can be seen in the comparative salaries within each labor market area, with poorer districts generally paying lower than neighboring wealthy districts. Thus salaries at the both the lowest and highest ends of the spectrum can reasonably be presumed to be influenced by community wealth, and are not solely a reflection of regional differences. Thus MEPRI recommends the following options.

1. Each successive analysis of the regional adjustment component has validated that there are patterns of variation across the state that are persistent and unrelated to wealth. In the spirit of an adequacy-based funding formula, we recommend retaining a regional adjustment index to promote equitable distribution of resources.
2. To mitigate the effect of inability to raise sufficient funding in lower-income communities, it would be beneficial to institute a minimum "floor" to ensure that each district raises funds that are adequate to attract teachers. This floor should be less than 1.00, as long as 1.00 is defined as the state average, since typical and expected regional labor market variation means that some districts can attract teachers with below-average salaries. These communities

should not be expected to raise more taxpayer funds than are needed to provide adequate resources.[1]

3. As a corollary to a floor, it would also be beneficial to institute a maximum adjustment. The communities at the very top of the pay scales are more able to raise taxpayer funds to pay higher salaries that will entice teachers from lower-paying districts (and retain the teachers they have). This is an endogenous phenomenon, and predictably benefits those who are able to pay. However, scarce state taxpayer dollars are best directed at ensuring minimum adequacy. This could be achieved by either: a) instituting a fixed or soft cap, or b) keeping the current regional adjustments in place (at a maximum is 1.09) rather than updating based on newer salary data.
4. MEPRI does not recommend updating the boundaries of the geographic areas to newer Teacher Market Areas at this time. The newer, larger, regions do not appear to be as cohesive as those currently in use, and updated labor market areas will be developed in the next few years using updated Census data. MEPRI should continue to monitor geographic variation in teacher salaries during future periodic reviews of the EPS Regional Adjustment, particularly when new labor market areas are generated based on 2020 Census data, and recommend changes as appropriate.
5. Schedule an interim review(s) of the EPS Salary Matrices and the EPS Regional Adjustment to make use of FY2021 salary data in order to monitor the impact of having a $40,000 minimum teacher salary. This policy change will influence teacher salary schedules in each district resulting in changes to geographic variation in teacher salaries and the regional adjustment. This review should closely examine salary changes in the lower-salary areas of

[1] It should be noted that as the new $40,000 minimum teacher salary is incrementally implemented as a result of recent legislation, the effect on lower salary areas will be the greatest. The current regional adjustments will not be adequate to provide the needed allocation at the lowest end of the range. The potential impacts of the minimum salary were explored in an addendum to MEPRI's 2019 review of salary matrices. If salary increases are targeted only at teachers below $40K (without equal raises for higher-salary staff) then a floor of 0.90 should be sufficient to provide for the new minimum salaries even in the lowest salary areas. This is because the new floor would be applied to the total allocation, providing more than enough additional funding to provide raises for the proportion affected. However, it is unclear how the new minimum salary will impact salary schedules for all staff in future contract negotiations. Moreover, areas receiving above the floor will also be affected. Thus the salary matrices should be updated more frequently, taking new minimums into account. Ideally this analysis should inform the timeline for phasing out specific state subsidy relating to the new minimum salary, as some areas may need a longer ramp to absorb the impact of increased costs.

the state compared to the state as a whole. It may be appropriate to extend the timeline for providing additional state subsidy to the districts most affected by the new minimum salary requirement in order to phase in the increased share for local taxpayers more gradually.

References

MEPRI (2018). Teacher Turnover in Maine: Analysis of Staffing Patterns 2005-06 to 2016-17. Available at mepri.maine.edu/posts.

MEPRI (2015). Report of the Commission to Study the Adequacy and Equity of Certain Cost Components of the School Funding Formula - Report to Joint Standing Committee on Education and Cultural Affairs - Maine State Legislature. Available at https://usm.maine.edu/cepare/school-funding.