

OFFICE OF POLICY AND LEGAL ANALYSIS

Date: April 20, 2021
To: Committee on Education and Cultural Affairs
From: Samuel Senft, Legislative Analyst

LD 1114 “An Act To Require the State To Meet the Mandatory 55 Percent Contribution to Schools” (Miramant)

SUMMARY

This bill increases the target for the state share percentage of the statewide adjusted total cost of the components of essential programs and services to 55%, as required by law, beginning in fiscal year 2021-22 and continuing at that rate annually. The bill also repeals the provision of law containing the annual targets for the state share percentage of the total cost of funding public education from kindergarten to grade 12 that include the cost of components of essential programs and services plus the state contributions to the unfunded actuarial liabilities of the Maine Public Employees Retirement System that are attributable to teachers, retired teachers' health insurance and retired teachers' life insurance.

TESTIMONY

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| <p>Proponents: Senator Miramont (sponsor); Dr. Holly Couturier, MPA; Neal Goldberg, MMA; Eileen King, MSBA, MSSA; John Kosinski, MEA</p> <ul style="list-style-type: none">• School districts struggle with annual budget increases due to inflation• Communities in turn resistant to property tax increases• A citizen referendum in 2008 resulted in a requirement that state meet 55% funding share of EPS services• Equality ensured by paying for services through income tax v property tax, which is subject to inequities.• Removal of Sections B and C means removes payment of up to 55% of teacher retirement; would prefer this stay in• Gap in funding falls to municipalities and, as such, property taxes.• According to data from OFPR, in 2019 the state provided \$977 million in general purpose aid. MMA projects the municipal share in 2019 to have been \$1.18 billion, or nearly 55% of total K-12 education. If the state had met its 55% goal that year, it would have saved local property payers \$209 million• K-12 education is largest part of municipal budget• Progress to meeting 55% was stalled by the recession.• EPS services establish the minimum of what students need to meet the Maine Learning Results.• Picus report showed that the funding formula is among most equitable in nation; however, it is woefully underfunded. |
| <p>Opponents:</p> <ul style="list-style-type: none">• none |
| <p>Neither For Nor Against</p> <ul style="list-style-type: none">• none |

Information Only: Joanne Allen, DOE

- Bill increases state share target for GPA from 51.83% enacted in the 2022-2023 biennial budget to 55% for the first year of the biennium. It also maintains that level in future years.
- The Education Committee presented a 55% state share recommendation in its biennial budget report back to the Appropriations Committee earlier this session. That report included a request for the additional appropriation of \$75.7 million needed to achieve this goal
- Bill also repeals law that calculates state share percentage based on states contribution to the unfunded actuarial liability of the Maine Public Employee Retirement System. In the current year, the state share percentage including the UAL is 56.07% and 56.30% for FY 2022.
- Bill amends language regarding the growth in the calculation of the insured value factor (IVF) that private schools may charge of sending school units to support facility costs. The annual growth in IVF is calculated based on the change in state share percentage as calculated including the state's contribution to the UAL. Per Title 20-A, §5806, IVF may not be greater than 6% or less than 10% of the school's tuition rate, unless the governing body of the sending school votes to pay a higher rate again, within the statutory limitations. Enactment of the language as written in this bill would change the calculation to the growth in state share excluding the state's contribution to UAL. Once a 55% state share is reached and maintained, as directed by the bill language, there would be no growth in the IVF amount charged by private schools without a vote by the governing body of the sending school unit.

INFORMATION REQUESTS:

- It was asked how much in additional annual funds DOE estimates would be required to meet the 55% state share.

The estimated cost is \$75,711,929 in FY 22 and \$107,132,929 in FY 23. Costs would be ongoing.

- The bill repeals 20-A §15671 sub-§7, ¶C. How does DOE anticipate this repeal would impact Maine Public Employees Retirement System funding, if at all?
- Does DOE anticipate that incoming federal funds will have any impact on the state share?

ADDITIONAL INFORMATION and ISSUES for CONSIDERATION :

- The bill can be found [here](#)
- [Maine State Legislature Office of Fiscal and Program Review. Summary of Major State Funding Disbursed to Municipalities and Counties. November 2019. Pub #30.](#)
- Current law and proposed changes

[20-A MRSA §5806, sub-§2](#) (current)

2. Maximum allowable tuition. The maximum allowable tuition charged to a school administrative unit by a private school is the rate established under subsection 1 or the state average per public secondary student cost as adjusted, whichever is lower, plus an insured value factor. The insured value factor is computed by dividing 5% of the insured value of school buildings and equipment by the average number of pupils enrolled in the school on October 1st and April 1st of the year immediately before the school year for which the tuition charge is computed. From school year 2009-2010 to

school year 2013-2014, a school administrative unit is not required to pay an insured value factor greater than 5% of the school's tuition rate or \$500 per student, whichever is less, unless the legislative body of the school administrative unit votes to authorize its school board to pay a higher insured value factor that is no greater than 10% of the school's tuition rate per student. For the 2014-2015 school year, a school administrative unit is not required to pay an insured value factor greater than 6% of the school's tuition rate per student, unless the legislative body of the school administrative unit votes to authorize its school board to pay a higher insured value factor that is no greater than 10% of the school's tuition rate per student. Beginning in the 2015-2016 school year, a school administrative unit is not required to pay an insured value factor greater than the amount of the prior school year's insured value factor adjusted by a percentage equal to the percentage change in the state share percentage of the total cost of funding public education in the prior school year as determined by [section 15671, subsection 7, paragraph C](#) as compared to the applicable percentage for the current school year. In no case may the insured value factor be less than 6% or greater than 10% of the school's tuition rate per student, unless the legislative body of the school administrative unit votes to authorize its school board to pay an insured value factor that exceeds the amount otherwise permitted by this subsection by no more than 5% of the school's tuition rate per student. For the 2013-2014 school year only, the maximum allowable tuition charged to a school administrative unit by a private school that participates in the Maine Public Employees Retirement System must be increased above the amount otherwise permitted under this section by an amount equal to the calculated normal cost of teacher retirement for that school divided by the number of enrolled students as of October 1, 2012.

- ❖ The bill changes the reference to section 15671, subsection 7, paragraph C to section 15671, subsection 7, paragraph B

[20-A MRSA §15671, sub-§7](#) (current)

7. Transition; annual targets. To achieve the system of school funding based on essential programs and services required by this section, the following annual targets are established.

A. The base total calculated pursuant to [section 15683, subsection 2](#) is subject to the following annual targets.

- (1) For fiscal year 2005-06, the target is 84%.
- (2) For fiscal year 2006-07, the target is 90%.
- (3) For fiscal year 2007-08, the target is 95%.
- (4) For fiscal year 2008-09, the target is 97%.
- (5) For fiscal year 2009-10, the target is 97%.
- (6) For fiscal year 2010-11, the target is 97%.
- (7) For fiscal year 2011-12, the target is 97%.
- (8) For fiscal year 2012-13, the target is 97%.
- (9) For fiscal years 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18, the target is 97%.
- (10) For fiscal year 2018-19 and succeeding years, the target is 100%.

B. The annual targets for the state share percentage of the statewide adjusted total cost of the components of essential programs and services are as follows.

- (1) For fiscal year 2005-06, the target is 52.6%.

- (2) For fiscal year 2006-07, the target is 53.86%.
- (3) For fiscal year 2007-08, the target is 53.51%.

- (4) For fiscal year 2008-09, the target is 52.52%.
- (5) For fiscal year 2009-10, the target is 48.93%.
- (6) For fiscal year 2010-11, the target is 45.84%.
- (7) For fiscal year 2011-12, the target is 46.02%.
- (8) For fiscal year 2012-13, the target is 45.87%.
- (9) For fiscal year 2013-14, the target is 47.29%.
- (10) For fiscal year 2014-15, the target is 46.80%.
- (11) For fiscal year 2015-16, the target is 47.54%.
- (12) For fiscal year 2016-17, the target is 48.14%.
- (13) For fiscal year 2017-18, the target is 49.14%.
- (14) For fiscal year 2018-19, the target is 49.77%.
- (15) For fiscal year 2019-20, the target is 50.78%.
- (16) For fiscal year 2020-21, the target is 51.78%.

C. Beginning in fiscal year 2011-12, the annual targets for the state share percentage of the total cost of funding public education from kindergarten to grade 12 including the cost of the components of essential programs and services plus the state contributions to the unfunded actuarial liabilities of the Maine Public Employees Retirement System that are attributable to teachers, retired teachers' health insurance and retired teachers' life insurance are as follows.

- (1) For fiscal year 2011-12, the target is 49.47%.
- (2) For fiscal year 2012-13, the target is 49.35%.
- (3) For fiscal year 2013-14, the target is 50.44%.
- (4) For fiscal year 2014-15, the target is 50.13%.
- (5) For fiscal year 2015-16, the target is 50.08%.
- (6) For fiscal year 2016-17, the target is 50.82%.
- (7) For fiscal year 2017-18, the target is 52.02%.
- (8) For fiscal year 2018-19, the target is 53.37%.
- (9) For fiscal year 2019-20, and subsequent fiscal years, the target is 55%.

❖ The bill repeals paragraph C and add the following subparagraph to paragraph B:

(17) For fiscal year 2021-22, the target is 55%.

- **Impact of bill changes on the IVF.** As noted by the Department, the bill language impacts the insured value factor (IVF) calculation, which, per §5806, is based on the state's contribution to the Maine Public Employees Retirement System (UAL). Eliminating paragraph C in §15671 and changing the reference in §5806 to paragraph B in §15671 changes the IVF calculation and would mean that there would be no growth in the IVF amount charged by private schools without a vote by the governing body of the sending school unit

FISCAL IMPACT: Not yet determined

