

MAINE STATE LEGISLATURE

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Commissioner's Alternate Recommended Funding Level Fiscal Year 2003-04

(Based on the Proposed Essential Programs & Services Model)

December 18, 2002

State of Maine
DEPARTMENT OF EDUCATION
General Purpose Aid Support Services
23 State House Station
Augusta, ME 04333-0023

Revised 12/19/02

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Goal

The goal of the Essential Programs and Services Model is to insure that all schools have the programs and services that are essential if all students are to have equitable educational opportunities to achieve *Maine's Learning Results*.

All Students Achieving the Maine Learning Results
means "Achieving common ends through uncommon means"

- ❖ Adequate resources based on each child's unique needs.
- ❖ Distribution and use of resources is best determined at the local school district level.

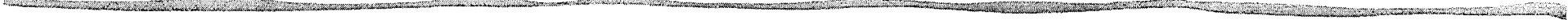


The Promise of Essential Programs & Services

Of three approaches used to fund education in Maine, only one is explicitly designed to achieve the Learning Results:

- Expenditure-based funding (*based on what had been spent in past years*)
- Revenue-based funding (*based on available revenues*)
- **Adequate funding** (***Based on the funds needed for all children to achieve the Learning Results.***)

An Equitable School Funding Formula Provides Answers to Four Key Questions

- How much should it cost to educate our children? (Addressed in EPS Model)
 - How much of the total costs should the state pay? (Addressed in EPS Legislation)
 - How much of the costs of educating each child is the specific responsibility of the community versus the responsibility of the state? (Not addressed in EPS)
 - How should the state and local communities each pay for their share of the costs of education? (Not addressed in EPS)
- 



What is Required To Achieve Adequate Funding in Every School?

- The amount of money in support of each child must be sufficient, based on each child's unique needs. It must be enough for salaries, instructional materials & supplies, operation & maintenance of facilities, etc.
- The additional costs of special needs students (Special Education, LEP - Limited English Proficiency, Disadvantaged Youth, etc.) must also be recognized.

What Instructional Areas Are Included in Essential Programs & Services?

All programs and courses that Maine schools offer to all students so that they may meet Maine's *Learning Results* standards:

- Career Preparation
- English Language Arts
- Health & Physical Education
- Mathematics
- Modern and Classical Languages
- Science & Technology
- Social Studies
- Visual & Performing Arts



What Resources & Services Are Included in Essential Programs & Services?

A. School Personnel

1. Regular classroom and special subject teachers
2. Education technicians
3. Counseling/guidance staff
4. Library staff
5. Health staff
6. Administrative staff
7. Support/clerical staff
8. Substitute teachers

B. Supplies and Equipment

C. Resources for Specialized Student Populations

1. Special needs pupils
2. Limited English Proficiency (LEP) pupils
3. Disadvantaged pupils
4. Primary (K-2) grade pupils

D. Specialized Services

1. Professional development
2. Instructional leadership support
3. Student assessment
4. Technology
5. Co-curricular and extra-curricular student learning

E. District Services

1. System administration
2. Maintenance of operations

F. School Level Adjustments

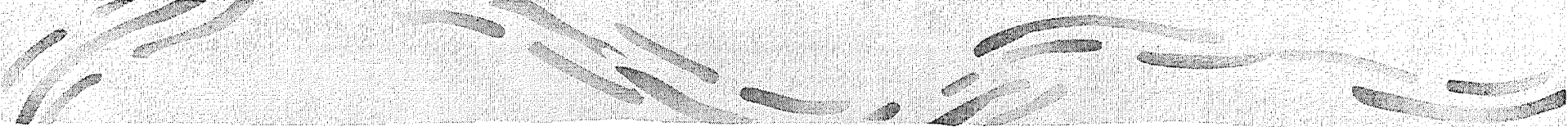
1. Vocational Education
2. Transportation
3. Small schools
4. Debt services



Public Law Chapter 660: “An Act Regarding Essential Programs and Services”

Other provisions in Chapter 660:

- EP&S funding must be phased-in beginning in FY 2003-04 and be fully implemented by FY 2007-08
- Aggregate State funds must equal 50% of EP&S costs by FY 2007-08
- Cushions must be used during the phase-in period and must be eliminated by FY 2007-08
- Research covering “Best Practices” in schools shall be continued in an effort to use educational funding in an effective way.
- Each school administrative unit shall make its own determination of how funds are to be used other than for targeted funds



2003-04 Proposed Essential Programs & Services Model

Current Funding Approach (FY 03)

New (EPS) Funding Approach (FY 04)

Operating Costs

- K-12 Per-pupil Guarantee, based on calculated state & local revenues
- Unweighted pupil count

Replaced by

New (EPS) Operating Costs

Per-pupil Guarantees customized for each school unit for each grade span based on student and staff demographics:

- School staff
- Supplies & equipment
- Specialized services
- District-level services

Unweighted pupil counts, with *total weighted* pupil counts for 4 specialized student populations:

- Limited English Proficiency (LEP), weight: 1.30, 1.50, or 1.60 (depending on number of LEP students)
- Disadvantaged youth, weight: 1.15
- Students in primary grades (K-2), weight: 1.10

Adjustments:

- Teacher educational level and years of experience
- Regional salary differences

Program Costs

No Change

Program Costs

Debt Service

No Change

Debt Service

Adjustments

One Change

Adjustments (*except LEP, which is moved to EPS/Operating Costs*)

Operating Costs: School Staff

Essential Programs & Services Personnel Ratios

Funds needed for salaries and benefits are based on staffing levels as determined by the staffing ratio in the Essential Program & Services Model as indicated below:

Personnel	Elementary Level	Middle Level	Secondary Level
Classroom & Special Subject Teachers	1-17	1-16	1-15
Education Technicians	1-100	1-100	1-250
Guidance Staff	1-350	1-350	1-250
Library Staff:			
Librarian	1-800	1-800	1-800
Media Assistant	1-500	1-500	1-500
Health Staff	1-800	1-800	1-800
School Administrative Staff	1-305	1-305	1-315
Clerical Staff	1-200	1-200	1-200



Operating Costs: School Staff

School Personnel Costs - Teachers

Ratios: Calculates costs for the number of teachers required based on the Essential Programs & Services ratios.

Base Amount: Based on the statewide average starting teacher salary– 2001-02 is the most recent salary available at this time and this salary is adjusted for inflation.

Teacher Matrix Adjustment: Adjusts teacher salaries for the years of experience and degree level in each school administrative unit.

Operating Costs: School Staff

Teacher Salary Index Matrix weights
for Education Level and Years of Experience

Education Level					
Years of Experience	BA	BA+	MA	MA+30/Cert.	Doctorate
<1	1.00	1.05	1.15	1.25	1.50
1-5	1.10	1.15	1.25	1.35	1.60
6-10	1.25	1.30	1.40	1.50	1.75
11-15	1.50	1.55	1.65	1.75	2.00
16+	1.80	1.85	1.95	2.05	2.30



Operating Costs: School Staff

School Personnel Costs – Other Staff

Ratios: Calculates costs for the number of staff required based on the Essential Programs & Services ratios.

Base Amount: Based on most recent school district salary structures – 2001-02 is the most recent salaries available at this time and these salaries are adjusted for inflation.

State Average Salary: The model uses the state-wide average salary for other staff – education technicians, guidance/counsel staff, librarians, media assistants, health staff, clerical staff and school administrative staff.

Substitute Teachers: The amount calculated for substitute teachers for one-half day is based on a per pupil amount of \$30.



Operating Costs: School Staff

School Personnel Costs – Benefits

Teachers: The amount calculated for benefits for teachers is based on the total Essential Programs & Services total salaries for these positions in each unit times 17%.

Other Staff: The amount calculated for benefits for other staff (excluding school administrative staff) is based on the total Essential Programs & Services total salaries for these positions in each unit times 17%.

School Administrative Staff: The amount calculated for benefits for school administrative staff is based on the total Essential Programs & Services total salaries for these positions in each unit times 12%.



Operating Costs: Non-Staffing Components

Per Pupil Amounts

Total funds for non-staffing components of operating costs shall be determined on the per-pupil amounts below:

	Elementary/ Middle Level	Secondary Level
System Administration	\$308	\$293
Operation & Maintenance of Plant	\$829	\$920
Supplies & Equipment	\$332	\$501
Co- & Extra-curricular	\$31	\$70
Professional Development	\$50	\$50
Instructional Leadership Support	\$20	\$20
Student Assessment (targeted funds)	\$100	\$100
Technology Resources (targeted funds)	\$175	\$175



Operating Costs: Specialized Student Populations

Resources for Specialized Student Populations

With the Essential Programs & Services model, additional resources are provided for specialized student populations to reflect additional resources needed.

Special needs pupils:

Current practice, until new funding approach is developed.

Limited English Proficiency (LEP) Pupils:

Three level weighted pupil count formula ranging from 1.30 to 1.60, depending on the total number of LEP pupils in a school district.

Economically Disadvantaged Pupils:

A 1.15 weighted pupil count for each child in a school district eligible for free or reduced lunches.

Grade K-2 Pupils:

A 1.10 weighted pupil count for each child in grades K-2 in a school district. (targeted funds)



School Level Adjustments

Vocational Education:

Current practice, until new funding approach is developed.

Transportation:

Current practice, until new funding approach is developed.

Small Schools:

Under study.

Debt Service:

Current practice.



Regional Education Cost Adjustment

Calculation of regional education cost differences based on differences in teacher salary costs in Maine's 35 labor market areas.

Transition

- EP&S funding must be phased-in beginning in FY 2003-04 and be fully implemented by FY 2007-08
- Aggregate State funds must equal 50% of EP&S costs by FY 2007-08
- Cushions must be used during the phase-in period and must be eliminated by FY 2007-08
- Recommended targets for transition:

TARGETS	2003-04	2004-05	2005-06	2006-07	2007-08
EPS Transition Percentages	84.84%	85%	90%	95%	100%
State Share Percentages	48.61%	48.93%	49.28%	49.64%	50%

- A different scenario for an extended transition also follows.

Essential Programs & Services Transition Plan for 2003-04 through 2007-08

	2003-04	2004-05	2005-06	2006-07	2007-08
Total Operating Allocation*	\$1,256,951,694	\$1,289,632,438.04	\$1,323,162,881.43	\$1,357,565,116.35	\$1,392,861,809.38
Current Calendar Year Average Pupils	208,451.5	208,451.5	208,451.5	208,451.5	208,451.5
Amount Per Student	\$6,030	\$6,187	\$6,348	\$6,513	\$6,682
Calendar Year Average Pupils (projected for FY05 to FY08)	208,451.5	203,704.0	200,096.0	197,419.0	194,445.0
Adjusted Total Operating Allocation	\$1,256,951,694	\$1,260,260,954	\$1,270,125,664	\$1,285,714,652	\$1,299,271,123
EPS Transition Percentage Targets:	84.84%	85.00%	90.00%	95.00%	100.00%
Adjusted Total Operating Allocation after Transition Adjustment:	\$1,066,397,817	\$1,071,221,811	\$1,143,113,098	\$1,221,428,919	\$1,299,271,123
Estimated Total Program Cost Allocation	\$328,544,716	\$348,257,399	\$369,152,843	\$391,302,013	\$414,780,134
Estimated Total Debt Service Allocation	\$85,260,688	\$94,405,884	\$100,654,664	\$106,359,311	\$107,224,927
Estimated Total Adjustments	\$48,965,586	\$52,219,146	\$57,441,061	\$63,185,167	\$69,503,683
ESTIMATED TOTAL ALLOCATION:	\$1,529,168,807	\$1,566,104,239	\$1,670,361,665	\$1,782,275,410	\$1,890,779,868
State Share Percentage Targets:	48.61%	48.93%	49.28%	49.64%	50.00%
ESTIMATED STATE SHARE:	\$743,280,025	\$766,348,586	\$823,211,591	\$884,782,719	\$945,454,865

*Inflation Rate -- 2.6% (10 year average Consumer Price Index)

Revised 12/19/02



Extended Transition

- EP&S funding must be phased-in beginning in FY 2003-04 and be fully implemented by FY 2009-10
- Aggregate State funds must equal 50% of EP&S costs by FY 2009-10
- Cushions must be used during the phase-in period and must be eliminated by FY 2009-10
- Recommended targets for the extended transition:

TARGETS	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
EPS Transition Percentages	84.84%	85%	88%	91%	94%	97%	100%
State Share Percentages	48.61%	48.93%	49.14%	49.35%	49.56%	49.78%	50%

Revised 12/19/02

Essential Programs & Services *Extended* Transition Plan for 2003-04 through 2009-10

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total Operating Allocation*	\$1,256,951,694	\$1,289,632,438.04	\$1,323,162,881.43	\$1,357,565,116.35	\$1,392,861,809.38	\$1,429,076,216.42	\$1,466,232,198.05
Current Calendar Year Average Pupils	208,451.5	208,451.5	208,451.5	208,451.5	208,451.5	208,451.5	208,451.5
Amount Per Student	\$6,030	\$6,187	\$6,348	\$6,513	\$6,682	\$6,856	\$7,034
Calendar Year Average Pupils (projected for FY05 to FY10)	208,451.5	203,704.0	200,096.0	197,419.0	194,445.0	191,895.0	189,302.0
Adjusted Total Operating Allocation	\$1,256,951,694	\$1,260,260,954	\$1,270,125,664	\$1,285,714,652	\$1,299,271,123	\$1,315,570,195	\$1,331,536,053
EPS Transition Percentage Targets:	84.84%	85.00%	88.00%	91.00%	94.00%	97.00%	100.00%
Adjusted Total Operating Allocation after Transition Adjustment:	\$1,066,397,817	\$1,071,221,811	\$1,117,710,585	\$1,170,000,333	\$1,221,314,856	\$1,276,103,089	\$1,331,536,053
Estimated Total Program Cost Allocation	\$328,544,716	\$348,257,399	\$369,152,843	\$391,302,013	\$414,780,134	\$439,666,942	\$466,046,959
Estimated Total Debt Service Allocation	\$85,260,688	\$94,405,884	\$100,654,664	\$106,359,311	\$107,224,927	\$107,224,927	\$107,224,927
Estimated Total Adjustments	\$48,965,586	\$52,219,146	\$57,441,061	\$63,185,167	\$69,503,683	\$76,454,052	\$84,099,457
ESTIMATED TOTAL ALLOCATION:	\$1,529,168,807	\$1,566,104,239	\$1,644,959,152	\$1,730,846,824	\$1,812,823,600	\$1,899,449,010	\$1,988,907,396
State Share Percentage Targets:	48.61%	48.93%	49.14%	49.35%	49.56%	49.78%	50.00%
ESTIMATED STATE SHARE:	\$743,280,025	\$766,348,586	\$808,389,417	\$854,232,347	\$898,497,631	\$945,610,946	\$994,521,999

*Inflation Rate -- 2.6% (10 year average Consumer Price Index)

Revised 12/19/02

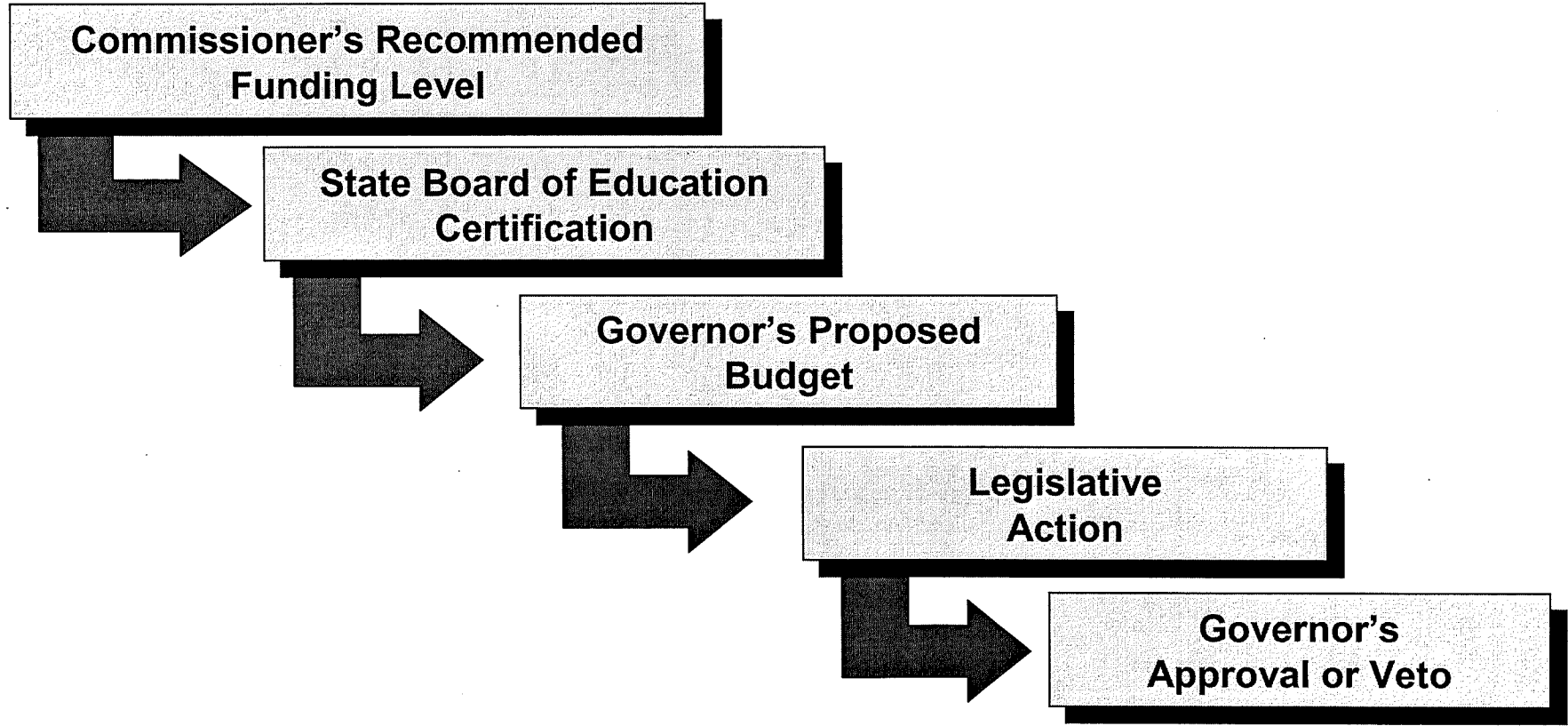


2003-04

Alternate Funding Level

(Based on the Proposed Essential Programs & Services Model)

Basic roles and responsibilities would remain unchanged under the Essential Programs & Services Funding Model



Recommended Appropriation for 2003-04 Funding

Annual Statutory Deadlines

- ✓ In December of each year, the Commissioner, with the approval of the State Board, shall recommend to the Governor and the Bureau of the Budget the funding levels for General Purpose Aid for Local Schools. (20-A M.R.S.A. Sec. 15606)
- ✓ No later than the Friday following the first Monday in February, the Bureau of the Budget shall annually certify to the Legislature the funding levels recommended by the Governor. (5 M.R.S.A. Sec. 1666)
- ✓ Prior to March 15th, the Legislature shall enact legislation regarding the above recommendations on the funding levels for General Purpose Aid for Local Schools. (20-A M.R.S.A. Sec. 15607)

Appropriations:

	<i>2002-03 Enacted Curtailment)</i>	<i>At 2.7% plus \$3 million cushion 2003-04 Recommendation</i>
Foundation*	\$610,088,901	\$633,402,410
Debt Service	\$61,767,101	\$60,912,029
Adjustments excluding cushions	\$45,016,739	\$45,965,586
Total	<u>\$716,872,741</u>	<u>\$740,280,025</u>
Cushions	<u>\$3,945,200</u>	<u>\$3,000,000</u>
Total with Cushion	\$720,817,941	\$743,280,025

**includes minimum subsidy*

Appropriation needed: \$22.5 million over FY 2002-2003 \$720.8 enacted

Recommended Elements 2003-04 Funding

Rates required for Programs Cost and Debt Service Allocations

	<u>2002-03 Enacted (After Curtailment)</u>	<u>2003-04 Recommendation</u>
Operating Cost Mill Rate	9.24	9.37
Program Millage Limit	1.46	1.46
Debt Service Millage Limit	0.49	0.43
Foundation Per Pupil Operating Rate (K-12)	\$5,133	\$5,481
Elementary Per Pupil Operating Rate (K-8)	\$4,936	\$5,287
Secondary Per Pupil Operating Rate (9-12)	\$5,557	\$5,891
Reduction Percentages		
Program Cost Reduction	-2.99%	-2.24%
Transportation Operating Reduction	-2.99%	-2.24%
Insured Value Factor Reduction	-2.99%	-2.24%

Rates required for Operating Cost Allocations

	<u>2002-03 Enacted</u>	<u>2003-04 Essential Programs & Services Recommendation</u>
Statewide local share of the Per Pupil Guarantee mill rate	7.29	Not applicable
Per Pupil Guarantee	\$4,816	Not applicable*
Statewide Factor	0.61345	0.63910

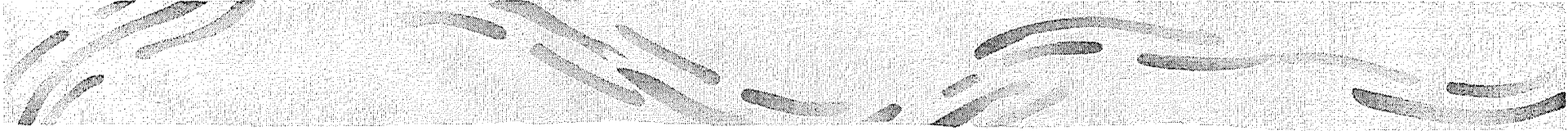
*Per-pupil Guarantees are customized for each school unit for each grade span based on student and staff demographics.

Components of General Purpose Aid for Local Schools

	FY 01	FY 02	FY 01 to FY 02	FY 03 After Curtailment	FY 02 to FY 03	FY 04 at 2.7% increase over FY 03 (\$720.8 million) plus \$3 million cushion With 84.84% EPS Transition Percentage and with -2.24% Program Cost Reduction %	FY 03 to FY 04
Operating*	427,040,293	437,353,381	2.4%	432,500,236	-1.1%	435,808,393	0.8%
Program Costs	143,483,290	163,504,362	14.0%	177,588,665	8.6%	197,594,017	11.3%
Foundation	570,523,583	600,857,743	5.3%	610,088,901	1.5%	633,402,410	3.8%
Debt Service	56,346,234	58,446,035	3.7%	61,767,101	5.7%	60,912,029	-1.4%
Adjustments excluding cushions	32,952,735	43,159,394	31.0%	45,016,739	4.3%	45,965,586 **	2.1%
Sub-Total	659,822,552	702,463,172		716,872,741		740,280,025	
Cushions	4,309,294	6,200,000	43.9%	3,945,200	-36.4%	3,000,000 **	-24.0%
Total	664,131,846	708,663,172	6.7%	720,817,941	1.7%	743,280,025	3.1%
Operating*	64.3%	61.7%		60.0%		58.6%	
Program Costs	21.6%	23.1%		24.6%		26.6%	
Foundation	85.9%	84.8%		84.6%		85.2%	
Debt Service	8.5%	8.2%		8.6%		8.2%	
Adjustments excluding cushions	5.0%	6.1%		6.2%		6.2%	
Cushions	0.6%	0.9%		0.5%		0.4%	

*Includes Minimum Subsidy

**Includes a \$3 million cushion for FY04



APPENDIX



2003-04 Computation of Allocation including Essential Programs & Services

COMPUTATION OF ALLOCATIONS FOR FY 2004 ESSENTIAL PROGRAMS AND SERVICES OPERATING ALLOCATION

EPS OPERATING COSTS PER CH. 606-B:

1	Basic Allocation for K-8 Pupils		\$767,167,582	
2	Basic Allocation for 9-12 Pupils		\$374,480,119	
3	Allocation for Adult Education Course for K-12 Pupils		\$5,079,981	
4	Allocation Equivalent Instruction Pupils		\$543,696	
5	Allocation for Disadvantaged Pupils		\$57,103,461	
6	Allocation for Limited English Proficient Pupils		\$5,887,494	
7	Allocation for Student Assessment		\$20,845,150	
8	Allocation for Technology Resources		\$36,479,013	
9	Allocation for K-2 Pupils		\$22,517,205	
10	Less Title I Disadvantage Revenues		(\$33,638,067)	
11	Regional Cost of Education Adjustment		\$486,061	
	Sub-Total		\$1,256,951,694	
	Less E.P.S. Transition Adjustment	15.16%	(\$190,553,877)	
4	Adjusted EPS Operating Cost Allocation:			
		84.84% of the way		\$1,066,397,817

2003-04 Computation of Allocation including Essential Programs & Services, continued

COMPUTATION OF ALLOCATIONS FOR FY 2004 PROGRAM COST AND DEBT SERVICE ALLOCATIONS

	FY 02 Base Year Expenditures	2-Yr. Avg. CPI %	Adjusted Expenditures	
PROGRAM COSTS:				
5 Early Childhood	\$1,037,827	2.70%	\$1,065,848	
6 Special Education (Local)	\$181,978,488	2.70%	\$186,891,907	
7 Special Education (Tuition & Board)	\$17,850,484	2.70%	\$18,332,447	
8 Vocational Education	\$32,569,439	2.70%	\$33,448,814	
9 Adjusted Transportation Oper. Costs	\$75,530,510	2.70%	\$77,569,834	
10 Total of Adjustable Program Costs:	\$308,966,747		\$317,308,850	
11 Bus Purchases, to include lease purchases			\$10,000,000	
12 Total Program Cost (Adjusted)				\$327,308,850
13 Less (20-A M.R.S.A. Sec. 15603, Sub-sec 26-A(I))	-2.24%			(\$7,331,718)
14 Adjusted Program Cost Allocation:				\$319,977,132
DEBT SERVICE:				
15 Principal and Interest			\$75,626,864	
16 Approved Leases			\$4,000,365	
16A Approved Leases-Purchases			\$2,755,671	
17 Insured Value Factor			\$2,877,789	
18 Total Debt Service:				\$85,260,688
19 Less for Insured Value Factor (20-A M.R.S.A. Sec. 15603, Sub-sec 26-A(F))	-2.24%			(\$64,462)
20 Adjusted Debt Service Allocation:				\$85,196,226
21 COMBINED ALLOCATIONS:				\$1,471,571,175

2003-04 Computation of Allocation including Essential Programs & Services, continued

COMPUTATION OF ALLOCATIONS FOR FY 2004 STATE AND LOCAL SHARES, MINIMUM SUBSIDY AND AJUSTMENTS & MISCELLANEOUS COSTS

	TOTAL	LOCAL	STATE
22 COMBINED ALLOCATIONS:	\$1,471,571,175	\$779,494,610	\$692,076,565
23 Minimum State Allocation	\$2,237,874		\$2,237,874
24 TOTAL ALLOCATION: (Local share : 52.89% State share: 47.11%)	\$1,473,809,049	\$779,494,610	\$694,314,439
ADJUSTMENTS AND MISCELLANEOUS COSTS:			
25 Geographic Isolation			\$491,272
26 Quality Incentive			\$0
27 Audits			\$0
28 Private School Services			\$201,000
29 Special Education Hardship			\$0
30 State Wards			\$12,262,341
31 State Agency Clients			\$27,966,377
32 English as a 2nd Language -- (moved to Operating Cost Allocation under Essential Programs & Services)			\$0
33 Out-of-District Placements			\$3,725,119
34 Long Term Drug Treatment Center			\$69,477
35 Learning Results Implementation, Assessment and Accountability			\$1,250,000
36 Hardship Cushion/Hold Harmless			\$3,000,000
37 Total Adjustments & Misc. Costs:			\$48,965,586
TOTAL STATE ALLOCATION:			\$743,280,025

History of Adjustments and Miscellaneous Costs

	1999-2000	2000-01	2001-02	2002-03	2003-04	
Geographic Isolation	\$250,000	\$250,000	\$425,000	\$478,356	\$491,272	2.7%
Quality Incentive	\$0	\$0	\$0	\$0	\$0	
Audits	\$0	\$0	\$0	\$0	\$0	
Private School Services	\$201,000	\$201,000	\$201,000	\$198,246	\$201,000	1.4%
Special Education Hardship	\$0	\$0	\$0	\$0	\$0	
State Wards	\$8,200,000	\$8,806,800	\$8,100,000	\$11,375,084	\$12,262,341	7.8%
State Agency Clients	\$18,100,000	\$19,439,400	\$21,042,552	\$25,942,836	\$27,966,377	7.8%
English as a 2nd Language	\$1,000,000	\$1,600,000	\$1,920,000	\$2,045,192	\$0	-100.0%
Out-of-District Placements	\$2,411,274	\$2,592,120	\$3,405,156	\$3,627,185	\$3,725,119	2.7%
Long Term Drug Treatment Center	\$60,976	\$63,415	\$65,952	\$67,650	\$69,477	2.7%
Contract-- Income & Cost-of-Living	\$29,000	\$0	\$0	\$0	\$0	
Learning Results Implementation, Assessment and Accountability	\$0	\$0	\$1,300,000	\$1,282,190	\$1,250,000	-2.5%
Total Adjustments & Misc. Costs:	\$30,252,250	\$32,952,735	\$36,459,660	\$45,016,739	\$45,965,586	
HOLD HARMLESS	\$1,230,000	\$0	\$0	\$0	\$0	
CUSHION	\$3,783,692	\$4,309,294	\$5,200,000	\$3,945,200	\$3,000,000	
TIER 2 CUSHION			\$1,000,000	\$0	\$0	
	\$35,265,942	\$37,262,029	\$42,659,660	\$48,961,939	\$48,965,586	

Geographic Isolation 20-A M.R.S.A. Sec. 15612(2)	<i>This amount is not sufficient for a 100% implementation, but statutes allow proration down to the amount actually appropriated.</i>
Quality Incentive 20-A M.R.S.A. Sec. 15612(1)	<i>This adjustment has been zero-funded since 1990-91. This adjustment provides an incentive to high-spending school units.</i>
Audits 20-A M.R.S.A. Sec. 15612(7)	<i>Audits may include additions to, as well as reductions from, subsidy. The amount of this adjustment has been \$0 in past years, since the net effect of these audits is usually zero.</i>
Private School Services 20-A M.R.S.A. Sec. 15613(4)	<i>The statute provides for a reimbursement, to municipalities, of up to 50% of funding by municipalities of certain private schools costs: transportation, textbooks, testing, and health-related needs. This amount is not sufficient for a 100% implementation, but statutes allow proration down to the amount actually appropriated.</i>
Special Education Hardship 20-A M.R.S.A. Sec. 15612(6)	<i>This adjustment has been zero funded since 1994-95, although in recent years related adjustments (such as State Agency Clients and State Ward adjustments) have been more fully funded.</i>
State Wards 20-A M.R.S.A. Sec. 15613(6)	<i>100% funding is required by law. In recent years the Department has fully funded the adjustment. FY 2004 is estimated at 100% of full funding.</i>
State Agency Clients 20-A M.R.S.A. Sec. 15613(5)	<i>100% funding is not required by law. In recent years the Department has fully funded the adjustment. FY 2004 is estimated at 100% of full funding.</i>
English as a 2nd Language	<i>In FY 2004 this adjustment is moved to the Operating Cost Allocation portion of the school funding formula as part of the new Essential Programs & Services.</i>
Out-of-District Placements 20-A M.R.S.A. Sec. 15612(11)	<i>This adjustment has not been fully funded in recent years. The statute allows proration to the amount appropriated. The proration percentages have been 27% (FY98), 26% (FY99), 31% (FY2000), 40% (FY2001) and 43% (FY2002). The proration % for FY 2003 is estimated at 35%.</i>
Long Term Drug Treatment Center 20-A M.R.S.A. Sec. 15612(10)	<i>100% funding is not required by law. SAD #6 will operate the only such center in FY2004. Their estimated FY2004 budget specifies \$72,522.</i>

Foundation Per Pupil Operating Rates

The School Finance Act of 1985 (20-A M.R.S.A., Section 15605) specifies that the foundation per pupil operating rates in FY 04 shall be computed by dividing (1) the statewide adjusted operating cost expenditure amount - described in #1 below, by (2) the statewide number of pupils - described in #2 below:

1. The statewide adjusted operating cost expenditure amount used as the numerator of the per pupil operating rate computation is:
 - o the actual local operating costs in the base year (FY 2002);
 - o increased by a percentage which may not **exceed** the average of the two most recent annual percentages of increase in the the Consumer Price Index - 20-A M.R.S.A., Section 15605(3) (For FY 04, the recommendation is 2.7%).

	1999	2000	2001
Consumer Price Index	163.2	168.9	173.5
Percentage of Change	2.2%	3.5%	2.7%

- o decrease by the percentage necessary to meet the level of appropriation, in accordance with 20-A M.R.S.A. Section 15603, Sub-section 26-A, Paragraph F
2. The pupil count used as the denominator of the per pupil operating rate is the average number of pupils in calendar year 2002 less special education tuition pupils, plus K-12 adult education pupils and less post-secondary options pupils and attendance violations.

The following table provides the details of these computations:

Computation of Foundation Per Pupil Operating Cost

	Elementary (K - 8)	Secondary (9 - 12)	Total (K - 12)
1 Operating Cost in FY 02	\$745,444,168	\$393,799,934	\$1,139,244,102
2 Average Operating Percentage of Increase (2 Yr. Avg. CPI %)	2.70%	2.70%	2.70%
3 Adjusted Increase (line 1 times line 2)	\$20,126,993	\$10,632,598	\$30,759,591
4 Total (line 1 plus line 3)	\$765,571,161	\$404,432,532	\$1,170,003,693
5 Less reduction -2.24%	(\$17,148,794)	(\$9,059,289)	(\$26,208,083)
6 Reduced Operating Allocation	\$748,422,367	\$395,373,243	\$1,143,795,610
7 Average Number of Pupils in Calendar Year 2002 (less Spec. Educ. Tuition Pupils, plus K-12 Adult Education Pupils)	141,547.50	67,119.70	208,667.20
8 Foundation Per Pupil Operating Rates (line 6 / line 7)	\$5,287	\$5,891	\$5,481

Mill Rates

The School Finance Act of 1985 establishes three mill rates: the operating cost mill rate, the program cost mill rate (also called the program cost circuit breaker), and the debt service mill rate (also called the debt service circuit breaker). The purpose of these subsidy indices is to establish what the required local shares are for the program costs and the debt service allocations. Starting in FY 97, the provisions of Chapter 606-A shall govern the state and local shares of the "per pupil guarantee" (Sec. 15653). The "per pupil guarantee" replaces the foundation per pupil operating rates in Chapter 606, for the operating allocation.

These subsidy indices are computed and used as follows:

The PROGRAM COST MILL RATE computation is defined in 20-A M.R.S.A., Section 15609, subsection 1, paragraph B(1) by dividing 40% of the total program cost allocation by the total statewide valuation of all municipalities. This computation is detailed below:

Computation of Program Cost Mill Rate

1	Statewide Program Cost Allocation for FY 2004 (line 17, Table 1)	\$319,977,132
2	40% of line 1	\$127,990,853
3	Total Fiscal Capacity (As prescribed in Ch. 606, Section 15603, subsection 11-A)	\$87,372,140,006
4	Program Cost Mill Rate (Program Millage Limit) (line 2 divided by line 3)	0.00146 (1.46 mills)

Two points should be noted regarding the Program Cost Mill Rate:

1. For each school administrative unit, the local share amount of that unit's program cost allocation cannot be more than the product of the program cost mill rate and the fiscal capacity of that unit.
2. As a result of the method of computing the program cost mill rate, and the way that this mill rate is used as described in #1 above, the State will provide AT LEAST 60% of the statewide total allocation for program costs.

(In recent years, the state share percentage of the statewide allocation for program costs has been about 61%.)

Mill Rates

The DEBT SERVICE MILL RATE computation is defined in 20-A M.R.S.A., Section 15611, subsection 1, paragraph A(1) by dividing 45% of the total debt service allocation by the total statewide fiscal capacity of all municipalities. This computation is detailed below:

Computation of Debt Service Mill Rate

1	Statewide Debt Service Allocation for FY 2004 (line 23, Table 1)	\$85,196,226
	Excluding 40% of Leases - (As prescribed in Ch. 606, Section 15603, sub-section 8(F))	\$1,600,146
	Statewide Debt Service Allocation for FY 2004 excluding 40% of Leases	\$83,596,080
2	45% of line 1	\$37,618,236
3	Total Fiscal Capacity (As prescribed in Ch. 606, Section 15603, subsection 11-A)	\$87,372,140,006
4	Debt Service Mill Rate (Debt Service Millage Limit) (line 2 divided by line 3)	0.00043 (.43 mills)

Two points should be noted regarding the Debt Service Mill Rate:

1. For each school administrative unit, the local share amount of that unit's debt service allocation cannot be more than the product of the debt service mill rate and the fiscal capacity of that unit.
2. As a result of the method of computing the debt service mill rate, and the way that this mill rate is used as described in #1 above, the State will provide AT LEAST 55% of the statewide total allocation for debt service.

(In recent years, the state share percentage of the statewide allocation for debt service has been about 70%.)

The method of calculating the OPERATING COST MILL RATE is not defined explicitly in the School Finance Act. However, the operating cost mill rate, however calculated, strives to satisfy the legislative intent that it, in combination with the other two subsidy indices, result in the state share percentage of the total (statewide) allocation being at least equal to the state share percentage of FY 2000 (57.31%).

The operating cost mill rate should be set at: 9.37 mills

It should be noted that for FY 2004, in accordance with Chapter 606A, Section 15658, the operating cost mill rate as described in Chapter 606 is in effect for the limited purpose of determining state and local shares of the program and debt service allocations.



Statewide Averages and Statewide Adjustment Factor

Statewide Averages

State Average Per Pupil Fiscal Capacity:

Total Property Fiscal Capacity (As prescribed in
Ch. 606-A Section 15652, subsection 6)

\$87,294,015,006

Divided by 2002 Calendar Year Pupils (*excluding*
Adult Education Pupils)

208,451.5

Equals State Average Per Pupil Fiscal Capacity:

\$418,774

State Median Household Income:

\$31,348

Statewide Adjustment Factor (20-A M.R.S.A. Section 15654)

The "Statewide Adjustment Factor" is a value between zero and one. It is used to adjust the local share percentages used to determine each school administrative unit's local share of the "Total Operating Cost Allocation". It is a variable used to allow the State to stay within its available appropriation for "General Purpose Aid for Local Schools".

The "Statewide Adjustment Factor" for FY 2004 should be set at:

0.63910