

A 55 percent state share of K-12 spending? *We're already there.*

by Stephen Bowen

In 2004, Maine voters approved a citizen-initiated referendum calling on the state to fund “55 percent of the cost of public education.” The following spring, the legislature enacted LD 1, which put a process in place whereby the state would “ramp up” to a 55 percent state share by steadily increasing state funding for schools over four years.

Ongoing budget shortfalls have forced the state to cut back on the amount of increased school funding it once planned, however. Postponements of increased spending under the LD1 ramp-up were enacted last legislative session, and the governor recently ordered additional cutbacks as part of the recently-enacted supplemental budget and a prior state budget curtailment order. Further cuts in projected education spending are planned for FY 2010 and FY 2011 under the governor’s proposed biennial budget.

These actions have reignited debate about whether the voter-mandated goal of a 55 percent state share of school spending is achievable or even desirable. Missing from that debate is any real analysis of where state funding for schools stands right now.

By some measures, as it turns out, the state’s share of K-12 spending statewide is 55 percent or more already.

Essential Programs and Services

The 2004 citizen’s initiative that put the 55 percent provision into law did not specify which spending was to be included in the “cost of public education,” so legislators adopted the Essential Programs and Services (EPS) funding model, which was under development at that time. In the interest of better controlling the state’s education spending, the EPS formula was designed to calculate what it *should* cost school districts to ensure that all of their students achieved the state’s learning standards. By adopting the EPS formula, the legislature promised to eventually reach a 55 percent state share of what the EPS system said should be spent by the state’s schools, not 55 percent of what was actually being spent.

As a consequence of this provision, the “official” measure of the state’s share of school spending is its portion of what the EPS formula says should be spent on K-12 education statewide. By the state’s own calculations, its share of “the cost of public education” under this measure was only 51.4% for FY 2009, as indicated in Table 1.

	FY 2006	FY 2007	FY 2008	FY 2009*
100% of Essential Programs and Services	\$ 1,786,037,540	\$ 1,829,788,109	\$ 1,895,210,824	\$ 1,860,836,514
State General Purpose Aid (GPA) to schools	\$ 836,115,966	\$ 914,098,222	\$ 977,958,385	\$ 956,481,491
State share percentage of 100% of EPS	46.8%	50.0%	51.6%	51.4%

*Includes FY 2009 budget curtailment/supplemental budget adjustments

Actual Local Spending

EPS does not, however, recognize what is actually spent on K-12 education. Both the state and the local districts spend far more than the EPS formula indicates. A February 2009 report by the Maine State Planning Office, entitled *LD 1 Progress Report 2008*, calculated that fully 88 percent of the 266 school units they studied spent above their EPS-calculated target. Combined, the state’s local school districts are exceeding their EPS local share targets by more than \$220 million. This high level of local spending, well over what the state says should be spent, has the effect of driving down the state’s share, as indicated in Table 2.

	FY 2006	FY 2007	FY 2008	FY 2009
State General Purpose Aid (GPA) to schools	\$ 836,115,966	\$ 914,098,222	\$ 977,958,385	\$ 956,481,491
Actual local spending, according to the State Planning Office*	\$ 1,013,712,367	\$ 1,037,791,312	\$ 976,241,782	\$ 1,097,283,474
Total spending (GPA plus actual local spending)	\$ 1,849,828,333	\$ 1,951,889,534	\$ 1,954,200,167	\$ 2,053,764,965
State share percentage of total spending	45.2	46.8	50.0	46.6%

*Does not include spending by school units that failed to submit data to the state in time for its inclusion in the State Planning Office report

Actual State Spending

Not only do the local districts spend more than EPS indicates, the state spends more on schools as well. Aside from its near billion-dollar contribution to the General Purpose Aid (GPA) account, almost all of which is sent directly to schools, the state also pays for retiree pensions and a portion of the health insurance premiums for retired teachers. For FY 2009, those retiree pensions and health insurance benefits cost state government almost \$200 million, none of which is counted toward the state's contribution to the cost of K-12 education under the EPS formula. If those amounts were included as part of the state's contribution, the state's share under the current EPS formula would have reached 55 percent in FY 2007, as indicated in Table 3.

	FY 2006	FY 2007	FY 2008	FY 2009
State General Purpose Aid (GPA) to schools	\$ 836,115,966	\$ 914,098,222	\$ 977,958,385	\$ 956,481,491
Teacher Retirement Benefits*	\$ 137,209,552	\$ 189,132,092	\$ 177,054,037	\$ 178,669,830
Retired Teachers Health Insurance*	\$ 15,000,414	\$ 16,273,961	\$ 17,413,138	\$ 17,706,058
Total State Spending, including retiree benefits	\$ 988,325,932	\$ 1,119,504,275	\$ 1,172,425,560	\$ 1,152,857,379
Local share at 100% of EPS	\$ 949,921,574	\$ 915,689,887	\$ 917,252,439	\$ 904,355,023
Total	\$ 1,938,247,506	\$ 2,035,194,162	\$ 2,089,677,999	\$ 2,057,212,402
State Share, including state retiree benefits	51.0	55.0	56.1	56.0

*As of November 2008. Does not include any FY 09 budget curtailment or supplemental budget adjustments

Total actual State and Local Spending

Maine's local school districts are spending well above EPS, but even if this actual spending is included, the state's share came very close to 55 percent in FY 2008, if state funding for retiree benefits is included. Recent cuts to state GPA funding, combined with increased local spending, reduced the state's share of actual state and local spending to 51.2 percent for FY 2009.

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Total State Spending, including retiree benefits	\$ 988,325,932	\$ 1,119,504,275	\$ 1,172,425,560	\$ 1,152,857,379
Actual local spending, according to State Planning Office	\$ 1,013,712,367	\$ 1,037,791,312	\$ 976,241,782	\$ 1,097,283,474
Total spending by state and local sources	\$ 2,002,038,299	\$ 2,157,295,587	\$ 2,148,667,342	\$ 2,250,140,853
State share percent of total spending	49.4	51.9	54.6	51.2

*Does not include spending by school units that failed to submit data to the state in time for its inclusion in the State Planning Office report

Conclusion

So what *should* be counted in calculations of the state share of K-12 spending? The state's contributions to retiree benefits are a labor cost associated with the operation of Maine's schools and ought to be counted as part of the state's share. Calculations should also include the actual spending being done by local school districts, rather than the largely fictional local share calculation done under EPS. Taxpayers should be fully aware of the truly enormous sums of money being spent by Maine's schools.

The data also makes clear that whether the state ever reaches a 55 percent share or not depends a great deal on the level of local spending. With an astonishing 88 percent of districts now spending over their EPS local share target, it is obvious that taxpayers need to take more effective control over local spending by making better use of the school budget validation referendum processes established in state law in 2007. Without far greater budget discipline on the local level, the state will struggle to meet its voter-mandated 55 percent share of public education costs moving forward, no matter how that share is calculated.

Stephen Bowen directs the Center for Education Excellence at The Maine Heritage Policy Center. The author can be reached at sbowen@mainepolicy.org.

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Editor and director of communications, Martin Sheehan, can be reached at msheehan@mainepolicy.org.

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P.O. Box 7829
Portland, ME 04112
207.321.2550 (p)
207.773.4385 (f)

<http://www.mainepolicy.org>
<http://blog.mainepolicy.org>
info@mainepolicy.org

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