

Analysis of Maine School Administrative Unit Funding and Tax Rates Under Alternative Evidence Based Model Simulations

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Agenda

- Reconciliation of total revenue figures
- Purpose of the simulation
- Assess the distribution of funds to SAUs
 - Alternative EB assumptions
 - Alternative measures of fiscal capacity
- Model additional alternatives
- Next steps for December 1 final report



Reconciliation of Total Revenue

- Goal was to reconcile our total revenue estimate with Jim Rier's 6/28/13 graph
- Adjustments
 - Excluded teacher retirement from EB model
 - Added state only education revenue to EB model
 - Assumed 100% EPS funding for model
 - Held constant the EPS Title I adjustment
 - Small budget v. actual adjustments
 - Added ~\$3 million for debt service
 - Added ~\$1 million for transportation
 - Added ~\$190,000 for misc.



Simulation

- Two Goals
 - Compare EPS with EB
 - Provides **estimates** of EB impact on SAUs and total state and local costs
- Allows real time simulation of alternatives including:
 - Parameters and formulas of EB model
 - State required tax rate for raising local revenues
 - The percent of total EB funding provided by the State
 - Alternative fiscal capacity measures



Simulation

- Results are **estimates**
- Based on actual 2012-13 SAU revenue and do not represent actual allocations for a future fiscal year
- The estimates include the mid-year curtailment of \$12.5 million in 2012-13



Simulation Details

- Property tax rates
 - Use a required tax rate (RTR) of 7.8 mills
 - SAUs that can raise the EB total with a lower rate use that lower rate (which adjusts as the EB amount changes)
 - SAUs are not allowed to levy a rate lower than necessary to raise the EB level (this differs from current practice)
 - This means every SAU will fully fund the EB level
 - Some SAUs will have property tax rate increases
 - For SAUs levying more than the RTR we hold the total tax rate constant

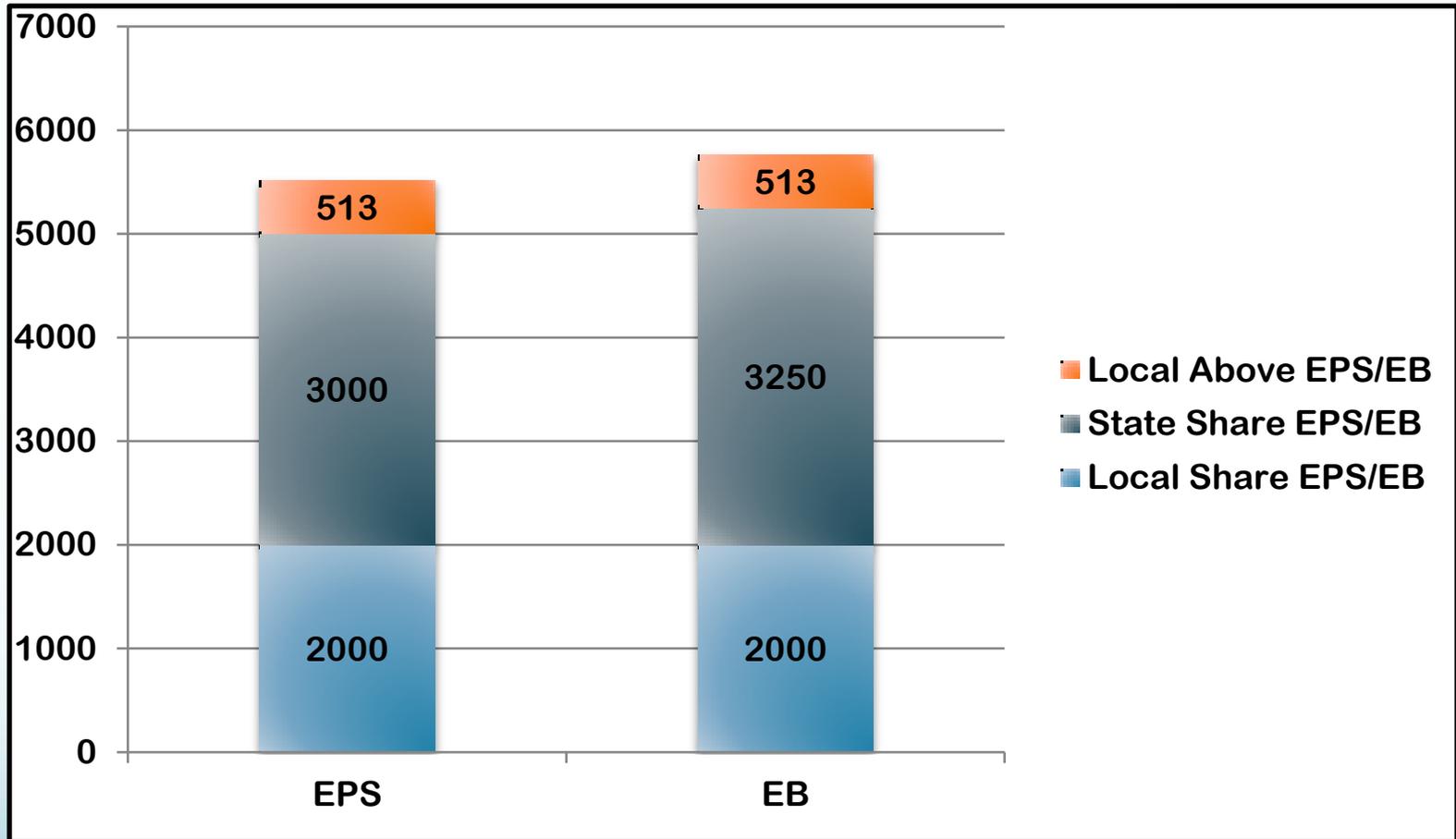
Simulation Details

- For equalized SAUs levying 7.8 mills
 - If total tax rate is 9.8 mills they continue to raise 9.8 mills
 - EB funding generated is higher
 - Total revenue increases
- For minimum receivers levying less than 7.8 mills for EPS but raise more than EPS
 - Tax rate is adjusted to raise new EB amount
 - Remaining tax rate is still levied
 - Total tax rate remains constant EB raised share is higher
- See Examples

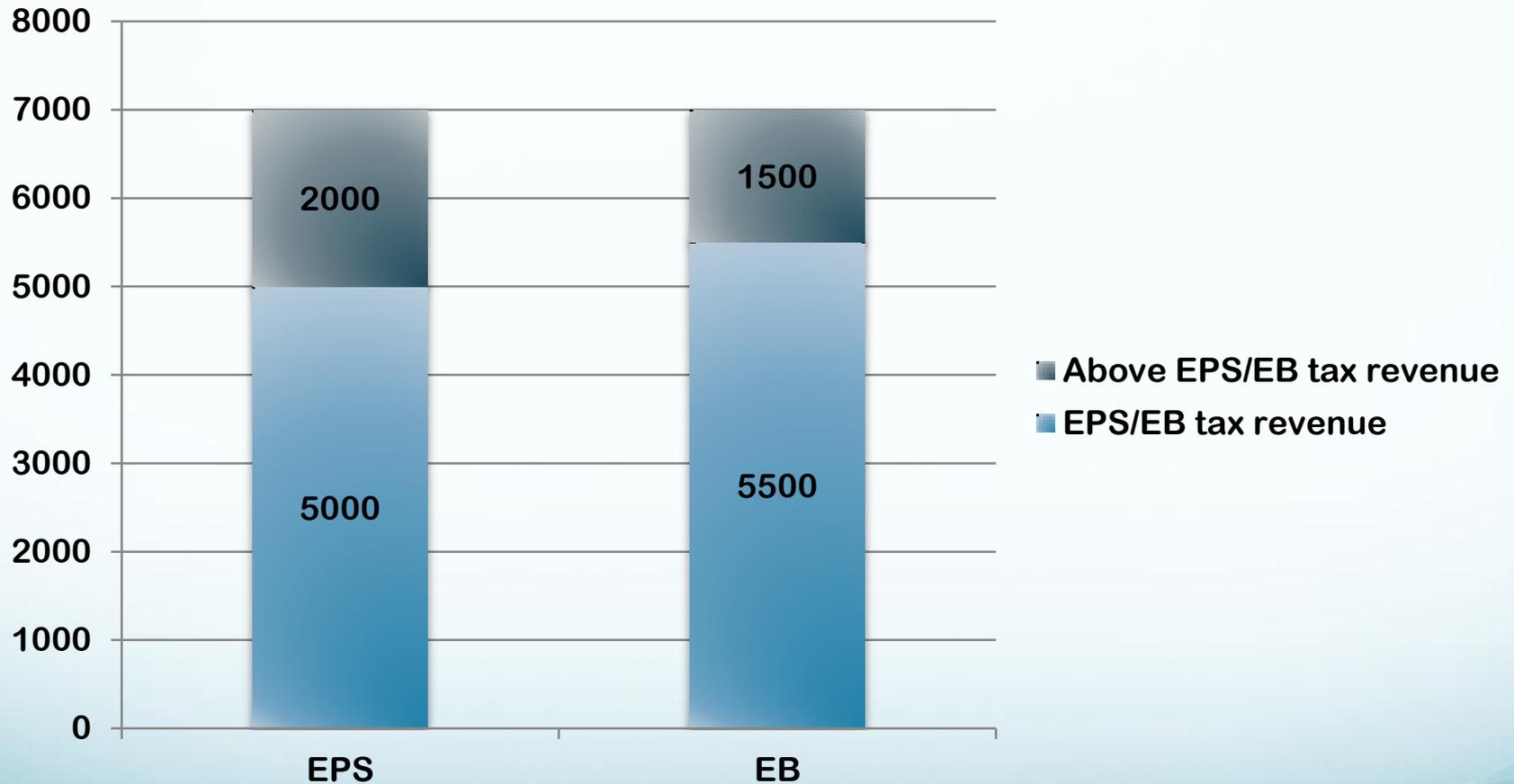


Example 1: Equalized SAU

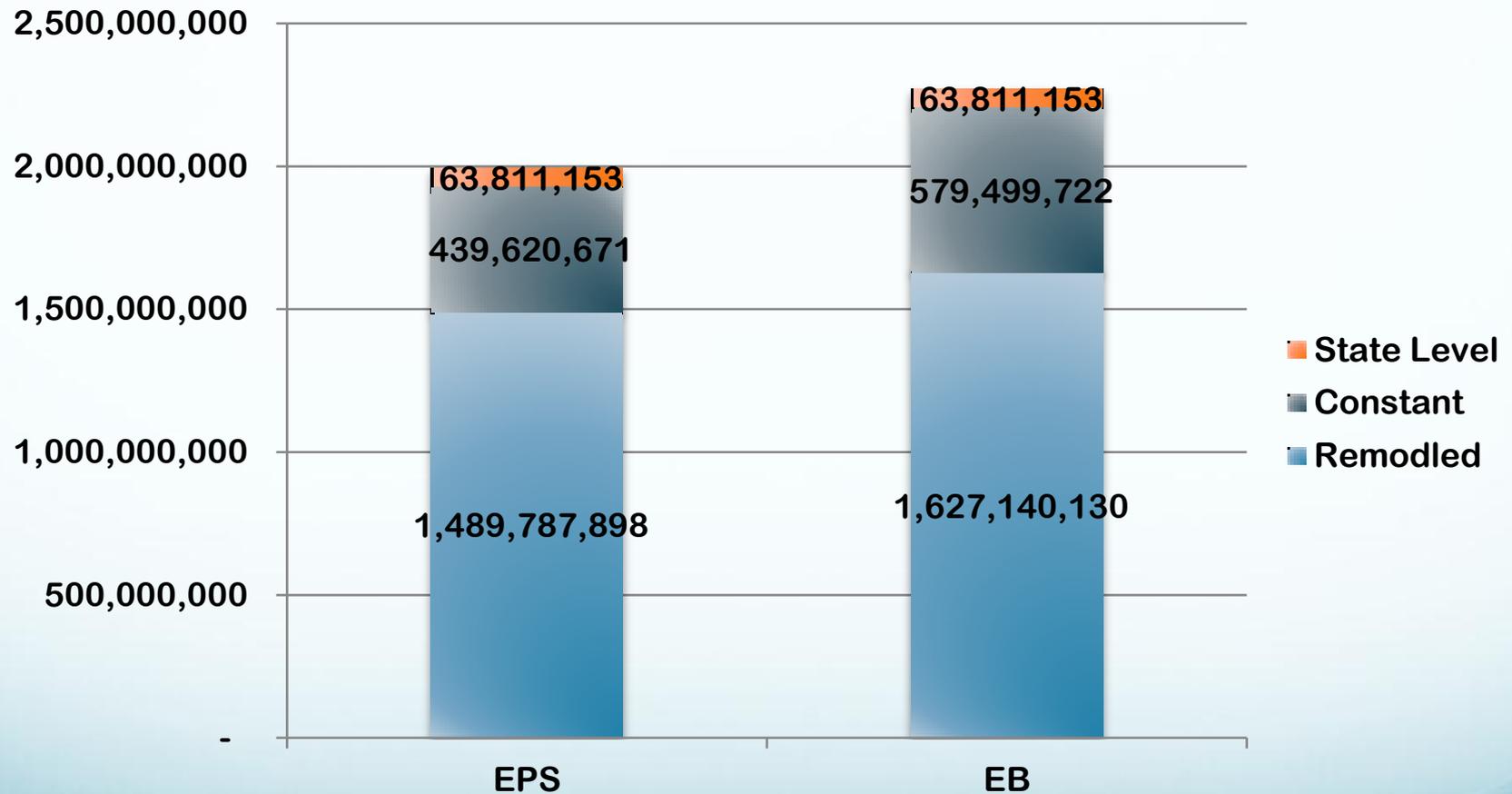
Tax Rate 7.8 mills Plus 2 mills Over EPS



Example 2: Minimum Receiver Tax Rate Less than 7.8 mills



Three “Levels” In Model



Minimum Funding

- SAUs receive greater of
 - 3% of total EB funding
 - 30% of special education costs
 - 98% of ED funding



Four Simulations

- EB model with RTR at 7.8 mills
- EB model but class size for grades 4-12 at 20 rather than 25
- EB model as in simulation A, but with RTR set at 6.95 mills to reach state share of 55%
- EB model as in simulation A, using per capita income in the fiscal capacity measure

Table 1: Characteristics and Major Impacts of Alternative Simulations

SIM	Increased Costs \$ Millions		Percent of Total EB Revenues (%)		Number of SAUs with State Aid		Total Revenue Per Pupil (\$)	Change in Total Revenue Per Pupil from Actual Current Revenue Per Pupil (\$)	Major Impact
	State	Local	State	Local	Increase	Decrease			
A EB Model	227.5	32.7	50.5	49.5	189	36	12,411	1,385	Increases overall revenues by \$260.2 million
B EB w/ smaller classes	311.1	34.0	52.0	48.0	198	27	12,863	1,837	Relative to A, increases revenues an additional \$84.9 million.
C EB & 55% State	332.5	11.4	55.0	45.0	199	26	12,857	1,831	Significantly increases state costs (\$105 million)
D EB w/Income Factor	199.7	96.8	49.2	50.8	184	41	12,604	1,578	Increases local costs (\$64 million), decreases equity?

Simulation Results

- Five tables
 - Individual SAU output
 - Option to add others one at a time
 - Deciles by total EB revenue per pupil
 - Deciles by SAU state valuation
 - Deciles by SAU enrollment
 - Deciles by per capita income



Questions to Ask for Each Simulation

- How does each option impact total revenue for K-12 education?
- Does the simulation approach the 55% state funding goal?
- What are the equity impacts of the simulation?
- What are the differential impacts on total and individual SAU revenues by:
 - State valuation per pupil?
 - Per capita income?



Questions to Ask for Each Simulation

- Can we discern any impacts on high wealth-low income SAUs?
- What happens to average property tax rates?
- Is there any pattern for tax rate changes by variations in property wealth per pupil or per capita income?

Alternative Simulations

