

**REGIONAL SCHOOL UNIT NO. 18
COST SHARING COMMITTEE**

**January 7, 2010
Minutes**

The meeting of the Cost Sharing Committee began at 6:31 p.m. in the Board Meeting Room at Central Office in Oakland.

Members Present: Paul Anderson, Irene Belanger, Lawrence Brown, Curt Dugal, Doug Eugley, Neil Farrington, Peter Foote, Dennis Keschl, Linda Laughlin, Robert Moreau, Zlatko Necevski, Kerri Oliver, Dennis Purington, Tim Russell, Gary N. Smith and Laura Tracy

Members Absent: Jake Clockedile, Constance Packard, Deanne Pizzo, and Rebecca Seel

Superintendent Smith noted that the Committee meeting minutes are available on the Regional School Unit No. 18 Web site under the School Board listing under the address: http://www.rsu18.org/co/RSUNo18/cost_sharing_cmmte.htm. All Board Standing Committees are listed and minutes posted on this site.

Superintendent Smith spent a few minutes reviewing State educational funding. The District budget for 2009-10 is \$33.8 million. The budget is broken down as follows.

- \$1.2 million in balance forward, stimulus monies, and other revenue sources
- \$3.57 million in additional local funds
- \$12.45 million in required local share contribution
- \$16.7 million in state share contribution

The \$3.47 million in additional local funds is the portion of the budget for which the cost sharing plan is being developed. The \$3.47 million in additional local funds and the \$12.45 million in required local share contribution make up the local contribution and ultimately become the member towns' contributions to the Regional School Unit No. 18 budget.

The "big picture" is a four-step process.

1. State level calculation of 100% Essential Programs and Services (EPS) funding (students, debt, programs, etc.)
2. State's share, which should be 55%
3. local share, which includes steps 1 and 2 - For 2009-10 in order to receive the \$16.7 million in state share contribution, \$12.45 million in local share contribution must be raised.
4. Total state valuation equals local mill expected. Total valuation x 6.37 mills equals town required local share.

Superintendent Smith noted that the above numbers are a break out of the current year funding using the ED279, the State's computation of the School Unit's subsidy. In terms of General Purpose Aide to Education the EPS subsidy for 2009-10 was originally at \$1.2 billion. Funding was then cut by \$38 million, and the State is now working with a figure of \$964 million. This will impact the current RSU 18 budget by \$560,000. For the 2010-11 school year, projected EPS was \$947 million. The anticipated cut will be \$35 million. This will leave school districts working with \$911 million. School funding is being cut a total of \$73 million in this biennium budget.

In terms of the financial summary, the FY 09 curtailment was \$373,032 (included both SAD 47 and China). This was reestablished by federal stimulus money. The FY 10 curtailment is \$558,992; however the State has informed school districts that they should plan for 1.4 times the FY 09 curtailment. For FY 11, reduced subsidy is planned to be 4 times the FY 09 figure. The projection for FY 11 reduction is \$1.7 million.

Eugley/Belanger The minutes of the December 17, 2009 meeting be approved as written. Motion carried. All favored except for Eugley and Foote who abstained.

Committee members reviewed the history regarding additional local funds for the last four years.

Additional Local Funds (ALF)					
EPS ALF	06-07	07-08	08-09	09-10	10-11
SAD 47					
Belgrade	1,189,607	973,138	1,009,825	1,001,577	
Oakland	893,720	780,612	702,065	697,592	
Rome	Tuition	515,107	472,561	467,257	
Sidney	713,306	570,764	580,677	576,440	
Subtotal	2,796,633	2,839,621	2,765,128		
China	947,515	610,927	888,897	829,606	
TOTAL	3,744,148	3,450,548	3,654,025	3,572,472	
EPS mil rate requirement as reflected in final budget	7.60	7.44	6.55	6.37	7.10 (estimate)

The EPS mil rate requirement was 6.37 for 09-10. The latest numbers predict that the mil rate will be 7.1 for the next budget year. Superintendent Smith noted that because of the budget crunch and projected subsidy this is what member towns should plan on for additional local funding for FY 10-11. The EPS mil rate is calculated based on number of students, programs and debt. It will cost \$1.9 billion to fund EPS for the entire state for this year. Then the State backs out its share of 55% of \$1.057 billion, leaving the difference of \$880 million to be raised locally. That number divided by total state valuation equals the number of mils required to be raised locally. With all else equal, if the cost of EPS increases next year, the initial estimate is 7.1 mils. Superintendent Smith noted that due to cutbacks in subsidy the projected state share for FY 11 is 49%

As the State has progressed and funding issues have occurred, the notion that school districts won't have to raise additional local funds is not a reality. 80% of school districts in Maine have had to raise additional local funds.

Linda Laughlin, Assistant Superintendent, discussed federal funds distribution for RSU No. 18, explaining how federal funds are allocated into the District and how they are allocated out to schools. Title I is the District's biggest federal funding source. Other funding sources include Title II, Title IID, Title IV, Title VI and Erate technology money. Total federal funding for 2009-10 is \$796,667, which

includes \$379,870 of federal Title IA stimulus money, a one-time allocation. The chart below summarizes the distribution of federal funds to RSU No. 18.

2009-10 RSU No. 18 Federal Title IA Funding Distribution					
Town/School	Enrollment	# of Low Income	Low Income %	Total School Funding	Per Pupil Expenditure
Oakland/Atwood	235	130	55.30	177,691	1,366.65
Oakland/Williams	235	115	48.90	154,058	1,339.63
China/Primary School	273	127	46.50	164,845	1,297.99
China/Middle School	206	83	40.30	0	0
Belgrade/Central School	303	117	38.60	151,286	1,293.04
Sidney/James Bean	353	120	34.00	148,787	1,239.89
Messalonskee Middle School	599	203	33.90	0	0
Messalonskee High School	843	254	30.10	0	0
Average Total	3,047	1,149	37.7	796,667	1,307.44

This chart represents the current school year. What would shift would be additional funds with China and 47 systems. There is an issue of a false total of \$796,667 because of the stimulus funds. This won't occur after this year. Guidance from the State was that if the District wanted Title I programs to continue for the next couple of years, the District would have the ability to carry over funds. This saved jobs for this year and for next year as well. No new positions were added, and the District is trying to hold on to current positions so that the program may be carried over for next year. Funds may be carried over for two years.

The chart also includes current enrollment in each school, as well as low-income percentage in each school (related to the free/reduced lunch program). The poverty level of students in the District is based on both free and reduced lunch. Low-income percent for the District is what is reviewed in terms of federal funding. Based on this average 37.7% of funds are allocated. Higher percentages drive more federal funds. If a school district is a high poverty school system, there is an obligation not to drop more than 5% funding from the prior year's allocation. There are special rules built into Title I funds. In this particular Title I program, it needs to be determined how to divide funds among the schools. The District contributes local funds to the Title I program in order for all elementary schools to be equitable. It needs to be proven that per pupil expenditure is higher in the highest poverty schools. Rules also guarantee that a school cannot be ignored because of a low poverty level. The School Unit would still need to allocate a certain percentage of money into that school.

Ms. Laughlin noted that other funding sources include Title II, which is a bit over \$100,000; Title IID, which is approximately \$7,500; Title IV, at approximately \$15,000; and Title VI, which is about \$80,000. The federal government has eliminated funding of Title IV, Drug Free Schools money, of \$15,000. Title IID funding is disappearing quickly as well. Ms. Laughlin noted that it is important to note that money is not funded to individual towns. School districts are viewed as one unit, and funds are distributed equitably.

Superintendent Smith noted that there is a concerted attempt to get parents/guardians to complete and return free/reduced lunch forms because those forms bring in federal dollars. The District has seen a dramatic jump in poverty level average. It is a sign of economic times as well. Ms. Laughlin noted that when viewing the District low-income average of 37.7%, it is important to look at schools that are at that level or above. Those are the only schools that qualify for federal funds. What happens if a school falls below that average is that the portion of local funds that has always committed will be shifted to that school, and federal funds will be distributed to other schools. Per pupil expenditure for federal funds would be \$0 for that school.

Committee members reviewed concerns regarding valuations (as far ahead as 2010). (Please see attached spreadsheet.) Superintendent Smith noted that for the 2010-11 funding year, the information in the 2009 column level would be used. Overall state valuation increased 1%. The Kennebec County valuation increased 6.7%. In terms of the EPS funding formula, if a town's percentage is higher than the county percentage, then the town goes above the state average. In this year where the School Unit will receive a significant reduction in subsidy, the District as a total increased 7.2%. The total for the District level indicates that the District versus the state and other districts on average will have to contribute a larger amount of local dollars for education. The estimate for 2010 is that the state will increase 1.2%, Kennebec County will increase 1.2%, and the District is will increase.8%. These are the state valuation numbers that are used. Local assessed values are not connected.

Superintendent Smith reviewed with Committee members enrollment trends by town, which include preliminary data from Planning Decisions. The data is presented by RSU 18, SAD 47, China and each individual town. The data represents a 10-year history and a 20-year projection, including births, projecting kindergarten and grade 1 class sizes. Also included is ten years of actual October 1 enrollment data by grade, as well as grade group totals. Superintendent Smith noted that enrollment is projected to be flat for the next 10 years. Some interesting points are listed below.

- The last large classes are grades 11 and 12 at 83 and 85 for the Town of China, which are being replaced by classes that are 47 and 52 for grades 7 and 8.
- China projections decrease from 753 students to 675 students.
- Total District enrollment of 3,300 is most likely a conservative number and will probably be above by 50-100 students.
- Enrollment study shows the District flat, but individual towns shifting. Current enrollment in Oakland is 1,080 with a projected increase of 100 students over the next 10 years. Sidney currently has 756 students, with a projected decrease of 30 students in the next 10 years. There are currently 684 students from the Town of Belgrade, which will increase to 726 in 10 years. It was noted that most elementary students from the Town of Rome attend school in Belgrade.

Superintendent Smith distributed information related to cost sharing formulas for other regional school units.

Superintendent Smith reviewed the differences between the cost of education at Erskine Academy, the cost of education in the Regional School Unit and the average State cost of education for the period 1999-00 through 2009-10. Approximately 80% to 85% of the secondary students from the

Town of China attend Erskine Academy. The remaining students attend other schools or are home schooled.

With the exception of the current school year, the cost of education at Erskine has been the same as the state average. The Governor has proposed that private school tuition rate increase 2% vs. 4% state average. The intent is that private schools share a bit of curtailment impact. In future years the Governor's proposed package includes a change in the state average tuition rate formula to increase related to the rate of inflation. This is part of the shortfall proposal. The RSU 18/SAD 47 tuition rate for 2009-10 is \$8,490, below the state average. In terms of tuition payments, the requirement of the RSU is to pay up to the RSU tuition rate to any school China secondary students choose to attend due to school choice. The District's obligation is to pay up to \$8,490, with the differential being assessed directly to the Town of China.

The Insured Value Factor (IVF) is an additional amount paid to private schools by the Town of China. By statute 10% of tuition may be an assessment per student for maintenance and upkeep of programs. The obligation for the IVF is a direct expense to the Town of China.

Superintendent Smith reviewed the enrollment history for secondary students from the Town of China for the period 2005-06 through the current school year. Eighty to 85% of the students attend Erskine. Ten to 13% attend Winslow and Waterville. Historically, not many students have attended SAD 47. A few students attend Cony, Kents Hill, MCI, and out-of-state schools.

Superintendent Smith shared a communication from Drummond Woodsum related to the cost sharing provision in the Regional School Unit No. 18 reorganization plan. Specifically, the question was whether the cost sharing formula may be changed prior to the FY 13 or whether the formula may be changed effective no earlier than FY 13. After reviewing the plan it is the opinion of legal counsel that the formula may only be changed beginning July 1, 2012 for the 2013 fiscal year.

A question was raised in terms of the graduation (student success) rate. Assistant Superintendent Laughlin noted that there are a couple definitions regarding graduation rate. The reason for the different definitions is how school units deal with 5th-year students. Students who leave high school to attend adult education are considered dropouts. Another concern is how homeless students are reported. The controversy that will unfold in February is that every school in the nation will be reported in a formula. Historically Messalonskee High School has had a graduation rate in the high 90s. With the new formula, the percentage will be in the high 70s. A cohort comparison will be completed from freshmen to senior year.

Requests for information for the next meeting include populations for each of the District towns (Census data), median income for the RSU towns, and a comparison of valuation vs. student count over time (for example a model of 60/40, 50/50, etc.)

A date for the next meeting of the Cost Sharing Committee has not yet been scheduled, but the meeting will be held sometime in April.

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The meeting adjourned at 8:14 p.m.

Respectfully submitted,

Gary N. Smith
Superintendent of Schools