

# RSU #05 COST SHARING

Prepared by Suzan Beaudoin Consulting LLC

[sbeaudoinllc@gmail.com](mailto:sbeaudoinllc@gmail.com)

2/8/2023

## State School Funding EPS Formula

- School funding in Maine is based on **Essential Programs and Services (EPS)**, which are defined as the programs and resources that are essential for students to have an equitable opportunity to achieve Maine's Learning Results.
- The **EPS formula** determines both the State and local share of funding needed for each School Administrative Unit (SAU) to have Essential Programs and Services. The funding formula is designed to respond to student needs and is based on years of research and information gleaned from high performing, cost-effective school units.
- Each year, every district in the State receives a document known as the “**ED 279**”. This is the annual State Calculation for Funding Education (PreK-12) Report which shows the various components that go into the funding formula.

## Determining EPS

### Key Operating Cost Components to Determine EPS:

- Student Demographics (School Administrative Unit (SAU) Pupil Counts for PreK-K, 1-5, 6-8, 9-12 and Specialized Student Populations)
- EPS Per Pupil Rate for Each SAU (Per Pupil Amounts Tailored for Each Unit Which Reflect Costs for Personnel, Administration, & Instructional Support)
- Weighted Amounts (Additional Per Pupil Amounts for English Learners and Economically Disadvantaged Pupils)
- Targeted Amounts (Additional Per Pupil Amounts for 4YO/PreK Pupils, 4YO/ K-2 Pupils, Student Assessment, and Technology Resources)
- Other Adjustments (Isolated Small Schools, Adult Education, and Equivalent Instruction)

### Other Cost Components to Determine EPS:

- Other Subsidizable Costs (Gifted & Talented, Special Education, Transportation and Buses)
- Teacher Retirement Costs (Normalized Costs)
- Debt Service (State Board approved bond payments and approved lease payments)

## Determining State and Local Shares

- State and Local Share:

EPS calculates the share of the costs between State and Local:

EPS Costs – Local Share\* = State Share.

*\*Many local units raise above and beyond what the State requires for local share.*

- Key Factors in Determining Required Local Share:

Percentage of students by town within a combined district, used to determine distribution of Total Allocation by Town

Valuation by town as provided by the Maine Revenue Service each year, which determines ability to pay

Mil Expectation set by calculated recommended funding level each year

## REQUIRED LOCAL

- The Required Local contribution is established by the EPS school funding formula.
- There are two calculations the State makes to determine the State and local shares for the Required Local
  1. They determine shares based on pupil count
  2. They determine based on valuation, the ability of the towns to afford the required cost
- If a town's ability to pay exceeds the required shares based on pupil count, then those towns do not get State subsidy; they are considered **Minimum Receivers**. Freeport falls into this category.
- The Required Local share is then based on **Pupil Count**.

## Minimum Special Education Adjustment

RSU #05's the Freeport member town is also eligible for the Minimum Special Education Adjustment (20-A MRSA Section 15689, sub-section 1-B)

This adjustment guarantees that Freeport's State share must equal at least 50% of Freeport's share (based on Freeport's percentage of pupils) of the Special Education Cost as calculated by Essential Programs & Services

For 2022-2023 Freeport's EPS Special Education Allocation (ED 279 Section 3 A, lines 2 plus 3) equals \$3,278,567.62 times 57.26% (Freeport's percentage of pupils) equals \$1,877,308 time 50% equals \$938,654 for the minimum special education adjustment.

This adjustment increases the amount of State subsidy and lowers the Required Local Contribution for Freeport and the school administrative unit as a whole.

## Additional Local Share

School units often have additional costs beyond EPS.

- Durham has **DEBT** service from New PreK-8 Elementary School and this non-shared debt is solely the responsibility of Durham.
- RSU #05 also has an **ADDITIONAL LOCAL** amount to raise since the cost of education is greater than the EPS formula. (Over 80% of school administrative units raise additional local funds.)
- RSU #05 shares the additional local amount based on the percentages established in their approved 2008 RSU reorganization plan.
  - Durham            21.42%
  - Freeport           65.68%
  - Pownal            12.60%

## RSU #05 Historical Review of Additional Local Raised

Town	2010-2011 to 2013-2014 Average Percentage Increase	2015-2016 to 2018-2019 Average Percentage Increase	2019-2020 to 2022-2023 Average Percentage Increase	2021-2022 to 2022-2023 Percentage Increase
Durham	2.37%	10.93%	8.45%	16.20%
Freeport	2.37%	10.93%	8.45%	16.20%
Pownal	2.37%	10.93%	8.45%	16.20%
<b>RSU Total</b>	<b>2.37%</b>	<b>10.93%</b>	<b>8.45%</b>	<b>16.20%</b>

*Note: Due to the set percentages of cost sharing in RSU #05, the percentage Increase for the individual municipalities will be the same as the RSU Total.*



## Factors that can impact Additional Local Share

### Factors that can impact the additional local raised amounts:

- Increase or decrease in the unit's total budget.
- Increase or decrease in the amount of State subsidy. Revisions in the State school funding law can significantly impact the amount of subsidy a school unit may receive.
- Increase or decrease of the **required** local contribution. This can shift funds from the required local contribution category into the additional local raise category.
- Increase or decrease of debt service obligations.
- Increase or decrease in other revenues that support the annual budget – such as tuition revenue and balance forward.

## Factors that can impact additional local raised

Town	2010-2011 to 2013-2014 Average Percentage Increase	2015-2016 to 2018-2019 Average Percentage Increase	2019-2020 to 2022-2023 Average Percentage Increase	2021-2022 to 2022-2023 Percentage Increase
Total Budget	3.32%	4.85%	3.02%	4.24%
Adjusted State Subsidy	2.52%	4.85%	2.21%	-2.79%
Required Local Contribution	5.32%	3.35%	0.83%	-3.70%
Additional Local Contribution	2.37%	10.93%	8.45%	16.20%
<b>Total Local Contribution</b>	<b>3.14%</b>	<b>5.21%</b>	<b>3.27%</b>	<b>2.90%</b>

## Common Cost Sharing Components

### Common Cost Sharing Components

- The 55% of RSUs based their cost sharing on percentage of valuations (fiscal capacity).
- However, 48 of the 75 RSUs were formerly School Administrative Districts (SADs) that reformulated into RSUs and kept their existing cost share formulas. Many of these SADs established their cost sharing at a time that the law required it to be based solely on valuation.
- Of the 27 remaining RSUs:
  - Ten RSUs are based on some combination of percentage of valuation (fiscal capacity) and percentage of resident students.
  - Five RSUs are based on percentage of valuation (fiscal capacity).
  - 10 RSUs are based on some other formula that may include percentage of valuation (fiscal capacity) and percentage of resident students, per-pupil costs or are the same percentage as the EPS formula
  - The remaining two RSUs' cost sharing formulas were unavailable.

## RSU #05 Percentage of Pupils\*

<b>Town</b>	<b>Current Cost Sharing Percentages</b>	<b>2010-2011 to 2013-2014 Average Percentage of Pupils</b>	<b>2015-2016 to 2018-2019 Average Percentage of Pupils</b>	<b>2019-2020 to 2022-2023 Average Percentage of Pupils</b>	<b>2022-2023 Percentage of Pupils</b>
Durham	21.42%	30.02%	31.12%	31.42%	32.06%
Freeport	65.98%	59.94%	58.60%	57.94%	57.26%
Pownal	12.60%	10.04%	10.28%	10.63%	10.68%

*\*ED279 Average Subsidizable Pupils from Section 4*

## RSU #05 Percentage of Valuation\*

Town	Current Cost Sharing Percentages	2010-2011 to 2013-2014 Average Percentage of Fiscal Capacity	2015-2016 to 2018-2019 Average Percentage of Fiscal Capacity	2019-2020 to 2022-2023 Average Percentage of Fiscal Capacity	2022-2023 Percentage of Fiscal Capacity
Durham	21.42%	17.12%	18.05%	17.39%	17.12%
Freeport	65.98%	73.71%	71.49%	71.84%	72.41%
Pownal	12.60%	9.17%	10.46%	10.78%	10.47%

*\*ED279 Fiscal Capacity from Section 4 – valuations as defined by law*

RSU #05 Comparison of Percentage of Valuation  
and Percentage of Pupils to Current Formula –  
utilizing 2022-2023 data

Town	Current Cost Sharing Percentages	2022-2023 Percentage of Pupils	Percentage Difference from Current	2022-2023 Percentage of Fiscal Capacity	Percentage Difference from Current
Durham	21.42%	32.06%	10.64%	17.12%	-4.30%
Freeport	65.98%	57.26%	-8.72%	72.41%	6.43%
Pownal	12.60%	10.68%	-1.92%	10.47%	-2.13%

RSU #05 Comparison of Percentage of Valuation  
and Percentage of Pupils to Current Formula –  
updated to preliminary 2023-2024 data

Town	Current Cost Sharing Percentages	2023-2024 Percentage of Pupils	Percentage Difference from Current	2023-2024 Percentage of Fiscal Capacity	Percentage Difference from Current
Durham	21.42%	31.63%	10.21%	17.18%	-4.24%
Freeport	65.98%	57.60%	-8.38%	72.31%	6.33%
Pownal	12.60%	10.77%	-1.83%	10.51%	-2.09

## Recommendations

### Recommendations:

- The RSU should consider establishing a cost sharing formula that adjusts for changes in fiscal capacity and pupils for each municipality from year to year.
- Utilizing a combination of percentage of resident pupils and percentage of fiscal capacity (valuations) would provide an equitable method of sharing the additional local costs.
  - Resident pupil data, it is best to utilize the pupils indicated on the ED279 Section 4 for consistency.
  - Fiscal capacity data, the RSU should use that same calculation that is used under current EPS School Funding law (below) presented on the ED279 Section 4. This method buffers any large increases from year to year and recognizes the loss of taxable valuation resulting from recent declines.
    - **Property fiscal capacity.** "Property fiscal capacity" means the average of the certified state valuations for the 3 most recent years prior to the most recently certified state valuation or the certified state valuation for the most recent prior year, whichever is lower.
- Should the RSU choose to move forward in changing the cost sharing formula, it would be prudent to phase this change over a three-to-five-year period.



**RSU #05 Possible Formulas for Cost Sharing –  
utilizing 2022-2023 data**

<b>Town</b>	<b>Current Cost Sharing Percentages</b>	<b>25% Pupils 75% Fiscal Capacity</b>	<b>30% Pupils 70% Fiscal Capacity</b>	<b>35% Pupils 65% Fiscal Capacity</b>	<b>Percentage Based on EPS 2022- 2023*</b>
Durham	21.42%	20.86%	21.60%	22.35%	18.72%
Freeport	65.98%	69.62%	67.86%	67.11%	69.82%
Pownal	12.60%	10.52%	10.53%	10.54%	11.46%

*\*ED279 **Adjusted** Local Contribution from Section F*

RSU #05 Possible Formulas for Cost Sharing  
Formula – updated to preliminary 2023-2024 data

Town	Current Cost Sharing Percentages	25% Pupils 75% Fiscal Capacity	30% Pupils 70% Fiscal Capacity	35% Pupils 65% Fiscal Capacity	Percentage Based on EPS 2023-2024*
Durham	21.42%	20.79%	21.52%	22.24%	18.49%
Freeport	65.98%	68.63%	67.89%	67.16%	70.21%
Pownal	12.60%	10.58%	10.59%	10.60%	11.30%

\*ED279 **Adjusted** Local Contribution from Section F

RSU #05 Historical Comparison of Percentage of Valuation  
and Percentage of Pupils to Current Formula – 2009-2010  
and preliminary 2023-2024 data

Town	Current Cost Sharing Percentages	2009-2010 Percentage of Pupils	Percentage Difference from Current	2009-2010 Percentage of Fiscal Capacity	Percentage Difference from Current
Durham	21.42%	29.37%	7.95%	16.31%	-5.11%
Freeport	65.98%	59.82%	-6.16%	74.39%	8.41%
Pownal	12.60%	10.81%	-1.79%	9.30%	-3.30%

Town	Current Cost Sharing Percentages	2023-2024 Percentage of Pupils	Percentage Difference from Current	2023-2024 Percentage of Fiscal Capacity	Percentage Difference from Current
Durham	21.42%	31.63%	10.21%	17.18%	-4.24%
Freeport	65.98%	57.60%	-8.38%	72.31%	6.33%
Pownal	12.60%	10.77%	-1.83%	10.51%	-2.09

## RSU #05 Historical Comparison of Valuation/Fiscal Capacity and Pupils from 2018-2019 and preliminary 2023-2024 data

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2018-2019 to 2023-2024	2018-2019 to 2023-2024
<b>ED279 Pupil Counts</b>								
Durham	594.0	599.5	619.0	622.0	626.0	640.0	46.0	7.7%
Freeport	1,118.0	1,140.0	1,164.0	1,126.5	1,118.0	1,165.5	47.5	4.2%
Pownal	203.0	211.5	209.0	205.5	208.5	218.0	15.0	7.4%
<b>Total</b>	<b>1,915.0</b>	<b>1,951.0</b>	<b>1,992.0</b>	<b>1,954.0</b>	<b>1,952.5</b>	<b>2,023.5</b>	<b>108.5</b>	<b>5.7%</b>
<b>Increase/(Decrease) over Prior Year</b>								
Durham		0.93%	3.25%	0.48%	0.64%	2.24%		
Freeport		1.97%	2.11%	-3.22%	-0.75%	4.25%		
Pownal		4.19%	-1.18%	-1.67%	1.46%	4.56%		
<b>Total</b>		<b>1.88%</b>	<b>2.10%</b>	<b>-1.91%</b>	<b>-0.08%</b>	<b>3.64%</b>		
							2018-2019 to 2023-2024	2018-2019 to 2023-2024
<b>ED279 Valuations (Fiscal Capacity)</b>								
Durham	365,000,000	376,000,000	393,900,000	419,483,333	442,083,333	469,766,667	104,766,667	28.7%
Freeport	1,491,750,000	1,526,466,667	1,618,700,000	1,733,083,333	1,869,816,667	1,976,683,333	484,933,333	32.5%
Pownal	231,575,000	236,100,000	246,500,000	257,383,333	270,400,000	287,316,667	55,741,667	24.1%
<b>Total</b>	<b>2,088,325,000</b>	<b>2,138,566,667</b>	<b>2,259,100,000</b>	<b>2,409,949,999</b>	<b>2,582,300,000</b>	<b>2,733,766,667</b>	<b>645,441,667</b>	<b>30.9%</b>
<b>Increase/(Decrease) over Prior Year</b>								
Durham		3.01%	4.76%	6.49%	5.39%	6.26%		
Freeport		2.33%	6.04%	7.07%	7.89%	5.72%		
Pownal		1.95%	4.40%	4.42%	5.06%	6.26%		
<b>Total</b>		<b>2.41%</b>	<b>5.64%</b>	<b>6.68%</b>	<b>7.15%</b>	<b>5.87%</b>		