

**MSMA Summary of Appropriations Committee's School Consolidation Plan  
Being Included in Proposed State Budget  
May 31, 2007 Draft**

**Regional School Units: Number and Size.** The Appropriations Committee's Plan requires that Maine's existing school units be consolidated into not more than 80 regional school units ("RSUs"). RSUs are modeled on SADs and most existing laws which govern SADs are made applicable to RSUs. Each RSU must have at least 2,500 students unless the Commissioner of Education determines that circumstances make that number "impractical." In such cases, the Commissioner, at her discretion, may permit RSUs with between 2,500 and 1,200 students. Coastal islands and Indian education are exempt from these size requirements.

**The Proposed Timeline:** The Appropriations Committee's Budget Plan includes an accelerated (and almost impossible) timeline for consolidation of school units by July 1, 2008 with a second bite at the apple by July 1, 2009 if the State mandated first attempt fails.

The timeline for Phase I of the State-mandated consolidation process is as follows:

**By July 15, 2007,** the Commissioner must hold reorganization planning meetings in each of the 26 CTE regions to present consolidation maps prepared by the Department of Education. If the Commissioner starts immediately, she will have to conduct one of these CTE meetings on each available workday between June 7 and July 15.

**By August 31, 2007,** each school administrative unit is required to file a notice with the Commissioner identifying the school units with which it plans to consolidate. In other words, school units have only six weeks during the summer to select their partners if they do not agree with the Commissioner's maps.

**By September 15, 2007,** (only two weeks later), the Commissioner must respond to the mandated notices of intent, either by approving or disapproving the proposed school unit consolidation.

**By December 1, 2007,** each "municipality" must submit a proposed consolidation plan to the Commissioner for approval. These plans (which must be developed in less than three months) must address all the details of consolidation including board make up, method of voting, voting districts, cost sharing, transfer of property, disposition of debt, assignment of contracts, transition plans for developing a budget and interim personnel policies, and estimates of projected cost savings.

**By December 15, 2007,** the Commissioner is required to review the reorganization plans and make suggestions for improvement. Within 30 days

(i.e., by January 14, 2008) the governing body of the school unit must revise the proposed plan and resubmit it to the Commissioner. The Commissioner then has 14 days (i.e., until January 28, 2008) to approve or disapprove the plans.

On January 15, 2008, approximately two weeks before the final plan is required to be approved by the Commissioner, the municipal officers are required to conduct a referendum vote in each town asking the voters whether or not they approve the plan.

If a plan is approved by the Commissioner and the voters, the State Board of Education issues a certificate of organization and the new RSU becomes operational on July 1, 2008. The plan allows only five months to elect a school board (which takes 85 days), hire a superintendent, prepare a budget, and have it adopted by the budget validation referendum process.

If a plan is not approved by the Commissioner and the voters in Phase 1 of the consolidation process, the Plan requires the school unit to repeat the process again, hold a second referendum by November 4, 2008 and consolidate into an RSU by July 1, 2009.

**Who prepares the consolidation plans?** The Appropriations Committee's plan is confusing on the question of who actually prepares the proposed consolidation plans.

- Section A-36 which establishes the process for “increasing the efficiency and effectiveness” of school administrative units, provides in paragraph 1.A that the Commissioner will hold the initial reorganization meetings after notifying municipal officials, school officials and the general public;
- Paragraph 2 requires “each school administrative unit” (i.e., the school board?) to file a notice of intent to plan;
- Paragraph 3 requires “municipalities” that intend to participate in planning to form “reorganization planning committees;”
- Paragraph 3.A requires the Commissioner to prepare guidelines for the formation of a “reorganization planning committee” for each proposed RSU including representation from each existing school unit, member municipalities and the general public;
- Paragraph 4 requires each “municipality” to submit a reorganization plan;
- Paragraph 6 provides that reorganization plans shall be developed by “the governing body of each school administrative unit.”
- The mandated referendum question in Paragraph 8

Whoever it is that is supposed to prepare the reorganization plan, they only have three months to do so.

**Mandatory reductions in State subsidy for system administration, special education, transportation, and buildings and maintenance.**

Under the Appropriations Committee's plan, State subsidies for education will be reduced by \$36.5 million. This is achieved by basing State support for system administration in FY 2008-09 on the actual costs in FY 2005-06 reduced by 50% and then adjusted for inflation. In addition, the Appropriations Committee's plan requires the Commissioner to reduce the State's EPS allocations for special education costs, transportation costs, and building and maintenance by 5%, regardless of actual costs or actual needs.

**Mandatory reductions in local expenditures for system administration, special education, transportation, and buildings and maintenance.**

The Appropriations Committee's plan not only reduces the amount of State subsidy in the four designated categories, it also mandates even greater reductions in local expenditures in each of these categories. Section A-36, paragraph 6.F(1) requires that each school unit's projected expenditure for special education, transportation, and facilities and maintenance for FY 2008-09 be reduced by 5% and paragraph 6.F(2) requires that projected expenditures for system administration be no more than the 2008-09 EPS rate which must be based on 2005-06 actual costs for system administration reduced by 50% and then adjusted for inflation. The total State-mandated reductions in State/local spending for education add up to approximately \$67 million.

**State mandated budget format.** The Appropriations Committee's proposal includes a new State-mandated budget format which must be used by all school administrative units. This mandatory budget format includes eleven expenditure articles. It breaks out "system administration" and "school administration" into two separate articles which may make it more difficult to get these articles approved by the voters. In addition, the school unit's budget document must include comparable budget data for a "high performing regional school unit" which the Department considers comparable to the RSU. The budget document for FY 2008-09 must also include data documenting State and local savings from the reorganization to RSUs and the resulting mill rate reduction for each municipality. The plan does not make provision for disclosure of any short-term increases in costs which may result from the State-mandated consolidation process.

**State-mandated budget adoption procedures.** Section 2307 of the Appropriations Committee's plan requires all school units in Maine, including Maine's larger cities like Portland, Biddeford, Lewiston, Auburn, and Bangor to adopt their school budgets by the "budget validation referendum process." This budget adoption procedure, which is currently used by only three school units in Maine, requires each school unit to conduct a town-meeting style budget meeting followed within 10 days by a referendum vote to "validate" the budget adopted by the voters at the budget meeting. In order for a school

unit budget to be finally approved, it must first be adopted at the meeting, and then validated or approved at the subsequent referendum. If the budget adopted at the meeting is not approved at the referendum, the process must be repeated again ad infinitum until a budget is finally approved at both budget meeting and a referendum.

**State penalties for failure to join an RSU.** The Appropriations Committee’s plan contains severe financial penalties for municipalities and school units that fail to join RSUs approved by the Commissioner. These penalties will be incurred in FY 2009-10 by any municipality or school unit that fails to approve a reorganization plan approved by the Commissioner by November 4, 2009 or fails to implement such a plan by July 1, 2009. These penalties include:

- Loss of minimum state allocation;
- Loss of state subsidy for system administration;
- Loss of “isolated small school” and “transition” adjustments;
- A 5% increase in the full value education mill rate (i.e., approximately 1/3 of a mill applied to the unit’s State valuation); and
- Loss of points in school construction rating process.

**Authority of Commissioner and the Department of Education.** The Appropriations Committee’s plan delegates broad authority over the consolidation process to the Commissioner, the Department, and the State Board of Education.

- Under Section A-36, the Commissioner is granted authority to determine the school units for which it is “impractical” to include 2,500 students and to determine what “as close to 2,500 students as possible” means with respect to each proposed school unit.
- Under Section A-36, the Commissioner is authorized to provide “one or more maps showing the suggested alignment” of school units and the affected school units then have only 6 weeks to elect alternate alignments in Phase 1 of the consolidation process;
- Under Section A-36, paragraph 3.A, the Commissioner is authorized to establish “guidelines” for reorganization planning committees which must include “roles and responsibilities,” timelines for submission, formats for reporting reorganization plans, and evaluation criteria for approval of the plans.
- Under Section A-36, paragraph 7, the Commissioner is granted authority to approve or disapprove reorganization plans based on general statutory criteria.

- Under Section A-39, the Commissioner is authorized to establish a state-subsidy adjustment for 2008-09 to support start-up costs associated with the formation of RSUs.
- Under Section A-2, § 1454, the State Board of Education may adopt “routine technical rules,” with no legislative review, to carry out the purpose of the chapter;
- Under Section A-30, § 15689-D, the Commissioner is authorized to adjust proposed EPS allocations not related to staffing levels and targeted funds below the levels established by the Legislature to reflect the Governor’s recommended funding levels.

**State-mandated minimum mill rate.** Under § A-29, § 15688, sub-§ 3-B-1, a minimum mill rate of 2 mills is established for municipalities that are members of RSUs. Any funds raised by the minimum mill rate in addition to the municipality’s total cost of education will be used to reduce the local contributions of the other municipalities in the RSU.

**State-mandated ballot information statements.** Under § A-36, paragraph 8, the State mandates the form of information statement that must be placed on the ballot of a school consolidation referendum. The content of these statements does not seem consistent with the general principle that ballot questions should be presented in a neutral way that is not designed to influence the voters decision. Under the Appropriations Committee’s plan, the following information statement is required to accompany the article for approval of a school reorganization plan:

“Explanation:

A “YES” vote means that you approve of the (municipality or SAU) joining the proposed regional school unit, which will be provided with the following incentives:

More favorable consideration in approval and funding of school construction projects; and

Eligibility for additional financial support for reorganization costs.

A “NO” vote means that you do not approve of the (municipality or SAU) joining a regional school unit, which will result in the existing (municipality or school administrative unit) receiving the following penalties:

Less favorable consideration in approval and funding of school construction projects; and

A reduction in state funding of education costs in an amount estimated to be \$\_\_\_\_\_ for school year 200\_ and \$\_\_\_\_\_ for school year 200\_, with the possibility of ongoing penalties for continued failure to join an approved regional school unit. Reductions in state education funding will result in an increased mill rate expectation of \_\_\_\_\_ (mills) and an increase in property taxes of \$\_\_\_\_\_ for tax year \_\_\_\_\_.

In addition, in the situation where an RSU's proposed school budget exceeds its EPS spending target, the Appropriations Committee's plan requires the following article and information on the statements of the budget validation referendum:

1) "Do you favor approving the (name of regional school unit) budget for the upcoming school year that was adopted at the latest regional school unit budget meeting and that includes locally raised funds that exceed the required local contribution as described in the Essential Programs and Services Funding Act?

Yes/No

A YES vote allows the additional money to be spent for K-12 public education. A NO vote results in a reduction in the property tax mill rate required for education purposes."

It appears that this mandated information statement also departs from the principle of neutrality and will tend to discourage voter approval of school budgets that exceed the State's EPS spending targets, even though the Department of Education acknowledges that the EPS funding formula is not designed to cover all necessary school costs.

**School unions are eliminated.** Under the Appropriations Committee's plan, school unions are not permitted as an approvable method of school consolidation. The plan does include one sentence, which states that an RSU board may create local school committees and specify their powers and duties.

**Collaboration is authorized.** The Appropriations Committee's plan includes a section which authorizes collaboration agreements among school units and with other levels of government to provide for shared delivery of administrative instructional and non-instructional services.

**School choice is preserved.** The Appropriations Committee's plan provides that RSUs must honor the contracts between existing school units and private schools. It also provides that students who reside in school units where they currently have school choice must be allowed to continue to attend a private school or a school outside the boundaries of the RSU. The municipality in which the student resides will be responsible for some of the extra costs of attending those schools.

**Extra-majority required for school closing.** The Appropriations Committee's plan requires a two-thirds vote of the governing body of an RSU to close a school. It also provides that the municipality may vote to keep the school open but requires that the municipality pay the additional costs of keeping the school open.

**Department to review unfunded educational mandates.** Under Section A-45 of the Appropriations Committee's plan, the Department of Education is required to conduct a review of unfunded state mandates pertaining to school systems. The Department is required to report its findings and conclusions to the Legislature's Education Committee by December 15, 2008.

**Transfer of school property and assumption of related debt.** Newly formed RSUs may require municipalities and existing school units to turn over land, buildings and other property used for school purposes. The RSUs are required to assume indebtedness associated with State supported school construction projects but they are not required to assume local-only debt. The assumption of local only debt by an RSU is permitted, however, if the participating municipalities and school units agree as part of a reorganization plan.

**Transfer of teachers and employees to RSUs.** The Appropriations Committee's plan provides all teachers and school employees employed by existing school units must be transferred to the RSUs when they become operational. The plan also provides for the transfer of collective bargaining contracts to RSUs and establishes an expedited process for merging existing bargaining units. Within 3 years after an RSU becomes operational, all bargaining units must be structured on a unit-wide basis.

**Transfer of school funds to RSUs.** Under the Appropriations Committee's plan, the balance remaining in the school accounts of existing school units must be paid over to the RSU. He plan does not expressly address what happens to reserve funds and trust funds for school purposes.

**Transfer of superintendent's contracts to RSUs.** The Appropriations Committee's plan provides that superintendent's contracts shall be transferred to the RSU. The RSU board is authorized to determine the superintendent's duties within the RSU.