

Frequently Asked Questions
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I am an Eliot resident and have two children, grades 2 and 6 in our schools. What SPECIFICALLY can we do or say as parents and community members when calling or writing Governor LePage and other elected officials to urge them not to make these cuts?

Where does MSAD 35 stand in terms of educational quality and its per pupil costs compared to other high-performing Districts?

Where does MSAD 35 stand in terms of educational quality and its per pupil costs compared to other nearby Districts?

What does “per pupil cost” mean?

What impact does the Governor’s proposed 2017-2018 budget have on MSAD 35’s State Subsidy revenue?

The State is proposing not providing any funding for System Administration. What makes up the District’s System Administration? What administration cuts have been made?

What administrative positions has the District cut and what is it proposing to cut in administrative costs next year?

Why doesn’t the District use more fund balance so my taxes don’t go up?

What was the actual State funding in the past 5 years (2012 through 2016) versus what was budgeted for those years?

Does the state fund any portion of the teacher retirement cost?

The Cost of Living Adjustment being provided to District employees in fiscal year 2016-2017 is 2.0%. This is much higher than the current rate of inflation, and outpaces the Cost of Living Adjustment being provided to residents on Social Security. Why is the District’s Cost of Living Adjustment so much higher than these metrics?

Who is negotiating union contracts?

Wages and benefits costs are approximately 79% of total expenditures budgeted, and continue to increase substantially each year. What can be done to slow this increase? Is the District still funding 100% of health benefits? Do employees contribute to their retirement or is it 100% funded for them by the District?

While student enrollment has been declining, Full Time Equivalent employees (FTE’s) have risen in the past few years. Total FTE’s in the 2017 budget total 331.1, while the Essential Programs and Services (EPS) level of FTE’s is 207.2. In what programs/services are the additional FTE’s utilized?

If student enrollment has decreased in the District over the past several years, why do tax rates continue to increase?

What if the voters do not approve the School Budget at the Budget Validation Referendum vote on Tuesday, June 13, 2017?

I heard we are contracting with a Food Service Management Company to run the School Lunch Program next year to save money. Can we apply the savings from this contract to our 2017-2018 budget?

If the District lost \$769,000 in subsidy, why is the District’s budget only decreasing \$461,490?

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How is our state subsidy amount calculated?

If there is a decrease in expenditures from fiscal year 2017, why are my taxes increasing?

How is the amount charged to the Town of Rollinsford for each tuition student calculated?

The detailed budget for the Marshwood Athletic Program shows Salaries and Benefits totaling \$341,516, yet the budget shows only 1 FTE. Please provide a breakdown of those additional salaries and benefits.

Since school year 2014, the District has charged the member communities approximately \$1.67 million for Teacher Retirement Costs. Has the State funded any of its portion of Teacher Retirement costs that had also been funded by the member communities? If so, what has been the accounting treatment of those receipts?

The District is currently proposing increasing class sizes and reducing teacher positions due to the proposed losses in State Subsidy. The District is also proposing spending approximately \$428,000 on new technology. Instead of spending money on new Technology, why not use it to keep as many teaching positions intact as possible?

What are the District's per pupil expenditures for FY 2016?

Why is the amount calculated above different than what has been presented by the District?

How do these calculations compare to the other nearby or high performing Districts?

Why does the School District need a Central Office if the State is no longer going to be contributing any State Subsidy to fund Central Office?

Why is the loss of funding from the State so high? Is it because the District's System Administration costs are vastly more than other Districts?

I heard that the District's allocation for Substitute Teacher's is being reduced next year. Does this mean that Substitute Pay will decrease next year?

If the governor's proposed budget is eliminating the state subsidy for system administration, why isn't the District cutting central office staff rather than teachers?

I have heard the District say several times that it was extremely careful with budget cuts, in order to preserve as much of the District's high quality programming as possible. What types of cuts were made to the various areas?

The District has stated several times this year that it has potentially lost \$769,000 in State Subsidy funding for the 2017-2018 fiscal year. What has State Subsidy funding been over the past three years?

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I am an Eliot resident and have two children, grades 2 and 6 in our schools. What SPECIFICALLY can we do or say as parents and community members when calling or writing Governor LePage and other elected officials to urge them not to make these cuts?

We can stand together as a community and call upon the Legislature to honor the EPS funding formula as currently enacted and restore some or all of the \$769,000 in proposed reduced subsidy to MSAD 35 so that we can restore our teaching positions and related services first ~ essentially continuing our district's commitment to placing our children first!

Some Thoughts to Consider

Under the Governor's proposed budget, MSAD 35 would see a *reduction* in state subsidy of **\$769,000!** The largest area of reduction is in the district's subsidy for system administration, which will see a loss of **\$540,000**. System administration involves paying for the infrastructure to operate a school district. This means that the costs for human resource management, payroll, accounts payable services as well as the services that create and monitor the district's annual budget would now be born solely by the taxpayers.

This shift from the state onto local taxpayers of essential services is very similar to what happened four years ago in FY 14 when the state transferred a portion of the cost of teacher retirement benefits onto local taxpayers costing our district **\$353,000**. These costs have steadily risen for the past four years for our district from \$0 in FY13 to a staggering **\$603,000** in FY18!

What can I do?

1. Familiarize yourself with the budget facts.
2. Contact your elected state officials about the proposed reduction in state subsidy.
3. Educate your family, friends and neighbors about the budget facts.
4. *Come to the District Budget Hearing on May 17, 2017 @ MHS.*
5. *Vote on the Budget Validation Referendum on June 13, 2017.*

Points to Consider:

- The Governor's proposed budget reflects a reduction of state subsidy for MSAD 35 of \$769,000.
- MSAD 35 is a historically efficient and high performing district where the district's per pupil cost is consistently lower than the state's per pupil cost and where MHS is listed as the 8th best high school in Maine, BUT, we are at a tipping point with the proposed reduction in state subsidy.
- This \$769,000 reduction will impact every single student in our district next year by increasing class sizes K-12.
- Ask the Legislature to honor the EPS funding formula as currently enacted and return to MSAD 35 some or all of the reduced subsidy.

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Maine Legislative Email & Phone Contact Information

Eliot & South Berwick

Elected State Legislative Officials for Eliot & South Berwick

Senate District 35 – Dawn Hill (D-York)

SenDawn.Hill@Legislature.maine.gov

(207) 287-1515

Representative Lawrence, Mark W. (D-South Berwick and Eliot)

E-Mail: Mark.Lawrence@legislature.maine.gov

(800) 423-2900

Representative Parker, Jennifer Ellen (D-South Berwick)

E-Mail: Jennifer.Parker@legislature.maine.gov

(800) 423-2900

Education and Cultural Affairs Committee Co-Chairs

Senator Brian Langley (R-Ellsworth) Co-Chair Brian.Langley@legislature.maine.gov

(207) 787-1505

Representative Victoria P. Kornfield (D-Bangor) Victoria.Kornfield@legislature.maine.gov

(800) 423-2900

Appropriations and Financial Affairs Committee Co-Chairs

Senator James Hamper (R-Oxford) James.Hamper@legislature.maine.gov

(207) 287-1505

Representative Drew Gattine (D-Westbrook) Andrew.Gattine@legislature.maine.gov

(800) 423-2900

Governor LePage

www.maine.gov/governor/lepage/citizen_services/ideas-suggestions.shtml

(207) 287-3531

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Where does MSAD 35 stand in terms of educational quality and its per pupil costs compared to other high-performing Districts?

Here is how MSAD 35's per pupil costs compared to other high-performing schools as well as the corresponding testing results for both reading and mathematics. The information below is for the 2014-2015 fiscal year, the most recent available.

<u>District</u>	<u>Per Pupil Costs</u>	<u>Percentage of Students at or above State Expectations (Math)</u>	<u>Percentage of Students at or above State Expectations (Reading)</u>
RSU 35 / MSAD 35 (Marshwood)	\$10,677	78%	70%
Scarborough	\$11,291	69%	66%
Falmouth	\$11,904	88%	85%
Yarmouth	\$12,613	80%	73%
Cape Elizabeth	\$12,717	88%	88%
RSU 51 / MSAD 51 (Greely)	\$13,597	76%	77%
York	\$14,041	77%	70%
Wells – Ogunquit	\$15,054	64%	57%
*State Average	\$11,105	49%	48%

As you can see, the District compares favorably to other high-performing schools in the State in terms of academic proficiency even while being out spent by as much as \$4,377 on a per pupil basis!

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Where does MSAD 35 stand in terms of educational quality and its per pupil costs compared to other nearby Districts?

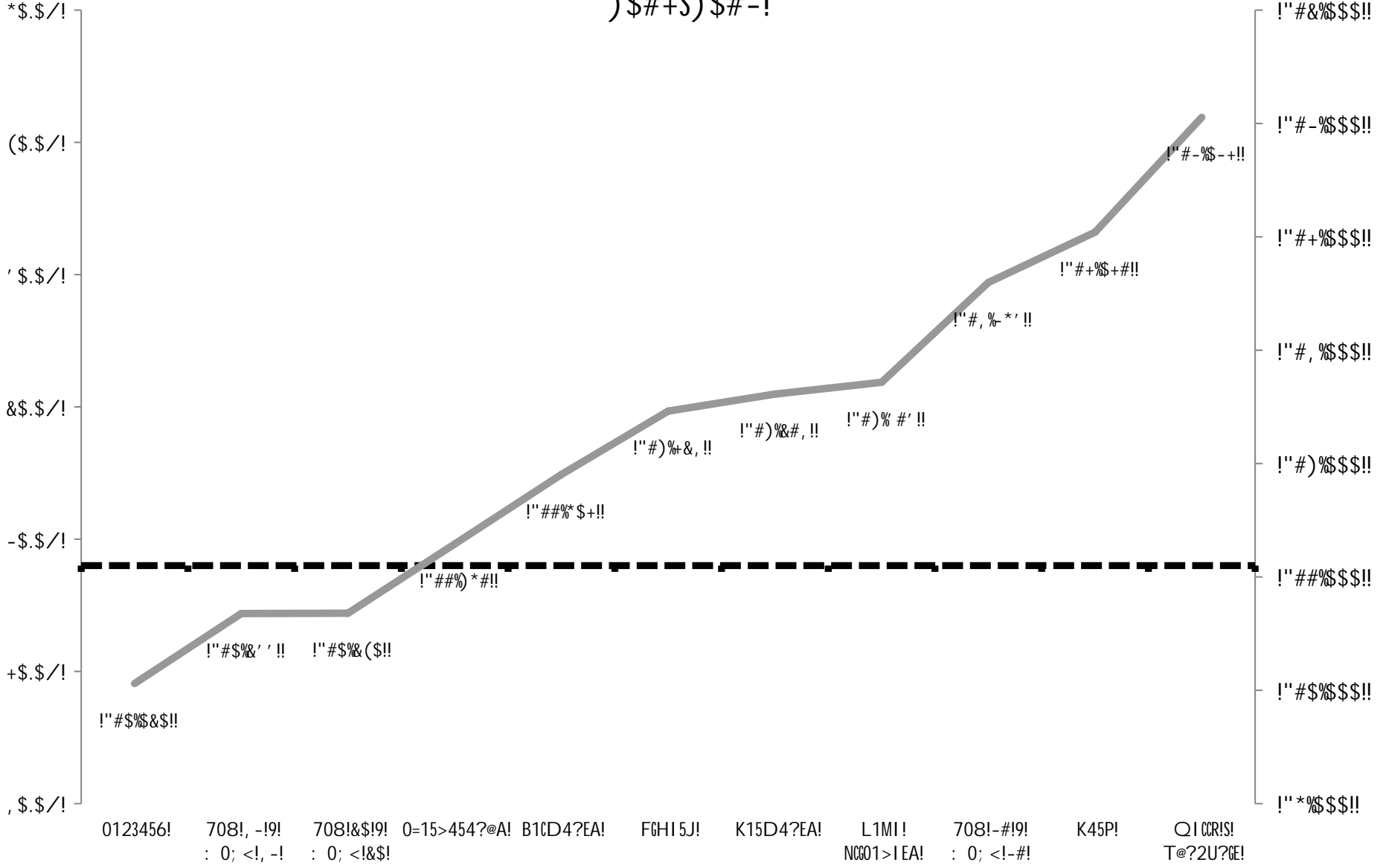
Here is how MSAD 35's per pupil costs compared to nearby schools as well as the corresponding testing results for both reading and mathematics. The information below is for the 2014-2015 fiscal year, the most recent available.

<u>District</u>	<u>Per Pupil Costs</u>	<u>Percentage of Students at or above State Expectations (Math)</u>	<u>Percentage of Students at or above State Expectations (Reading)</u>
Sanford	\$10,060	33%	38%
RSU 35 / MSAD 35 (Marshwood)	\$10,677	78%	70%
RSU 60 / MSAD 60 (Noble)	\$10,680	58%	51%
Kittery	\$12,463	57%	56%
York	\$14,041	77%	70%
Wells – Ogunquit	\$15,054	64%	57%
*State Average	\$11,105	49%	48%

As you can see, not only are MSAD 35's per pupil costs below the State's average, we are also one of the lowest per pupil costs of the nearby School Districts, while our academic proficiency is the highest of the nearby

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What does “per pupil cost” mean?

The state calculates a “per pupil cost” for each district each school year. All expenditures except the following are included in calculating a per pupil cost:

- Major Capital Outlays
- Debt Service
- Transportation
- Food Service
- Adult Education
- State and Federal Grant Expenditures

The total amount of district expenditures, excluding those listed above, is divided by the average annual enrollment. Total per pupil cost is an efficient means of comparing schools with differing enrollments and overall total costs, and it is how the State determines subsidy.

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What impact does the Governor's proposed 2017-2018 budget have on MSAD 35's State Subsidy revenue?

Below are several of the Governor's proposals and their estimated effect on the 2017-2018 funding the District will receive as a result of these proposals. Each modification to the EPS formula proposed by the Governor was considered on its own without taking into account the other modifications. As the formula is complex, the items below cannot just be added together in order to get an overall increase or decrease in state funding, but the overall decrease in state subsidy from the 2016-2017 funding level to the 2017-2018 funding level is presented below.

Proposal 1: No funding for system administration, which includes \$66 million statewide for central office expenses to cover superintendents, business office staff, clerical staff, legal costs, insurance and contracted services.

Effect on District Subsidy of Proposal 1: **Decrease of approximately \$540,000**

Proposal 2: Ending the practice of subtracting Title I funds from state allocations, and changing student teacher ratios to make up for this change. Recommended staffing ratios will go from 16-1 to 17-1 at the middle school and from 15-1 to 16-1 at the high school.

Effect on District Subsidy of Proposal 2: **Decrease of approximately \$120,000**

Proposal 3: Changing ratios for education technicians from 100-1 to 114-1 at the elementary school, from 100-1 to 312-1 at the middle school and from 250-1 to 316-1 at the high school.

Effect on District Subsidy of Proposal 3: **Decrease of approximately \$164,000**

Proposal 4: Changing the State's Mil Expectation from 8.30 to 8.29.

Effect on District Subsidy of Proposal 4: **Increase of approximately \$15,000**

Proposal 5: Removing the adjustment for declining enrollment so that enrollments reflect actuals.

Effect on District Subsidy of Proposal 5: **Decrease of approximately \$265,000**

See graphic on next page for a visual representation of the changes in State Subsidy listed above.

Overall effect on District Subsidy: **Decrease of approximately \$769,000** (note: this amount is not just the sum of the above, as each are variables in a formula)

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The State is proposing not providing any funding for System Administration. What makes up the District's System Administration? What administration cuts have been made?

The System Administration Budget is made up of all the positions that help make the district work. These positions and their full time equivalents are:

1.0 Superintendent The Superintendent of Schools is the district's chief executive officer. By law the Superintendent is the Secretary and Treasurer for the School Board and oversees all of the operations of the district.

1.0 Administrative Assistant to the Superintendent The Administrative Assistant to the Superintendent is the receptionist for the central office and manages all communications for the Superintendent and the Board of Directors including composing and posting the Board meeting agendas and minutes.

1.0 Human Resource Director The Human Resource Director manages all employee benefits and employee contracts for the District. Insures that the District is in compliance with all federal and state regulations concerning employees.

1.0 Chief Operational Officer The Chief Operational Officer oversees and manages: the Facilities Department, the Transportation Department and the Food Services Department.

1.0 Financial Manager The Financial Manager prepares, oversees and manages the district's budget and expenditures (including grant funding), makes monthly reports to the Board's Finance and Facilities Committee on key indicators of the district's budget and prepares year-end financial statements for the District.

0.8 Accounts Payable Clerk The Accounts Payable Clerk processes invoices and requisitions for all supplies and services for the district.

1.0 Accounting Manager The Accounting Manager processes accounts receivable and reconciles the District's bank account.

0.8 Payroll Clerk The Payroll Clerk generates the payroll for all employees of the district.

The proposed cut in the District's subsidy of \$769,000 is so great in magnitude, that if we cut all of the positions listed above, we would not reach the \$769,000 in cuts needed to balance the budget next year. Similarly, if we cut every single principal in our district next year we still would not reach the \$769,000 in reduced subsidy.

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What administrative positions has the District cut and what is it proposing to cut in administrative costs next year?

The District has already cut in previous budgets:

- 1.0 Director of Curriculum and Instruction (replaced with a 0.5 Director of Teaching and Learning which is shared with SAD 60)
- 1.0 Technology Director (replaced with a 0.5 position shared with SAD 60)
- 1.0 Director of Adult Education (replaced with a 0.6 position shared with Kittery)
- 1.0 Facilities Director
- 1.0 Director of Transportation

The District is proposing to cut the following Administrative positions next year:

- 1.0 Director of Food Services
- 1.0 Computer Technician Specialist
- 0.6 Business Manager
- 0.2 Director of Communications (moved to a grant)
- 0.2 Director of Teaching and Learning (moved to a grant)

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Why doesn't the District use more fund balance so my taxes don't go up?

The District reviews its year-end fund balance at the end of each fiscal year. The District requires a minimum 6% of the subsequent year's operating budget in the District's fund balance in order to have the necessary resources on hand to operate the District's schools. Please see the breakdown of the District's fund balance below:

Fund Balance at 06/30/16	\$ 3,981,718
Less: Budgeted Use of Fund Balance FY 17	1,308,975
<u>Add: Anticipated Surplus FY 17</u>	<u>450,000</u>
Anticipated Fund Balance 06/30/17	3,122,743
Less: Proposed Use of FB FY 18	800,000
<u>Less: Proposed Transfer to Capital Reserve</u>	<u>300,000</u>
<u>Projected Remaining Fund Balance</u>	<u>\$ 2,022,743</u>

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What was the actual State funding in the past 5 years (2012 through 2016) versus what was budgeted for those years?

<u>Fiscal Year</u>	<u>State Funding (per ED279)</u>	<u>Total Budget</u>	<u>Percent State Funded</u>
2012-2013	\$ 11,915,605	\$ 26,785,591	44.49%
2013-2014	12,734,919	28,129,397	45.27%
2014-2015	12,384,588	29,782,485	41.58%
2015-2016	12,570,638	30,314,047	41.47%
2016-2017	11,969,766	31,444,172	38.07%
2017-2018*	11,201,260	30,982,682	36.15%

* Proposed

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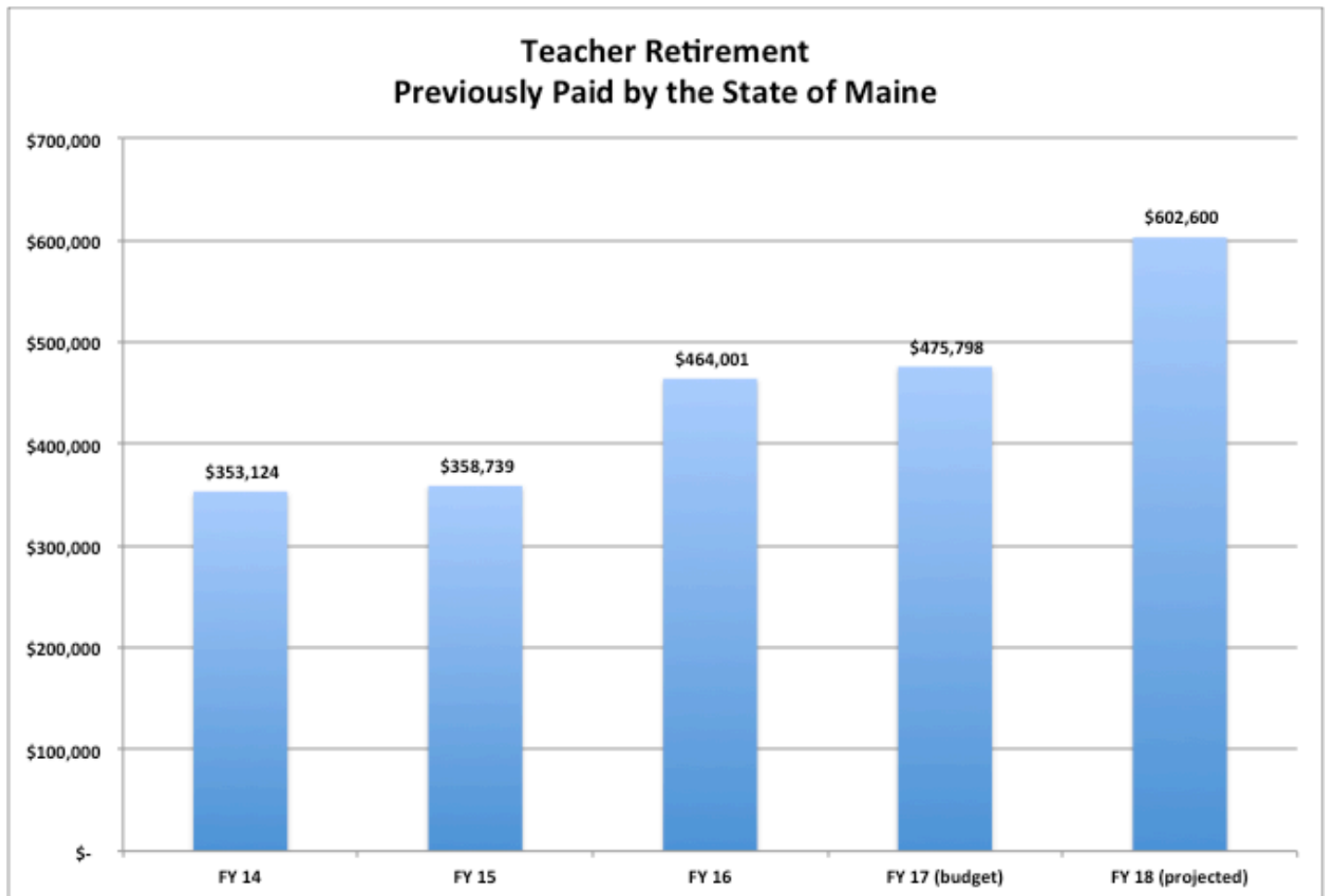
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Does the state fund any portion of the teacher retirement cost?

There are three components of the employer portion of the teacher retirement contribution. The contribution percentages are set by the MePERS Board and have increased over time. These are rates for FY18:

Normal retirement contribution	=	3.97% of salary
Unfunded Actuarial Liability (UAL) contribution	=	11.08% of salary
<u>Administrative contribution</u>	=	<u>0.60% of salary</u>
<u>Total contribution</u>	=	<u>15.65% of salary</u>

Prior to fiscal year 2014 the state paid the all three contribution components to the retirement fund. Beginning in FY14 the state passed on the normal retirement contribution component to the local districts. From the chart below you can see that this has amounted to a shift of over \$2.2 million from the state to the local taxpayers.



In addition the teachers contribute 7.65% of their salary to the retirement fund. They are exempt from the Social Security program. They do not contribute to social security and therefore do not qualify for social security benefits upon retirement.

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The Cost of Living Adjustment being provided to District employees in fiscal year 2016-2017 is 2.0%. This is much higher than the current rate of inflation, and outpaces the Cost of Living Adjustment being provided to residents on Social Security. Why is the District's Cost of Living Adjustment so much higher than these metrics?

The School Board collectively bargains most of the District's wage increases. Once the Cost of Living Adjustment has been agreed upon and the contract has been signed, the District is committed to fulfill on the contract for the duration of the contract. The Quamphegan Education Association (Teacher's Union) and the MSAD #35 Board of Directors approved a new three-year contract May 7, 2015, which extends through the 2017-2018 fiscal year.

It has always been the District's goal when negotiating contracts to attract and retain highly qualified teachers to educate its students. In order to do this, the District needs to be competitive with other nearby and high performing Districts. By reviewing the 2016-2017 contracts posted for the following ten Districts (we used the 2016-2017 fiscal year as most of these Districts are currently negotiating their 2017-2018 contract), it should be noted MSAD #35 was the lowest in terms of its Cost of Living Adjustment for the 2016-2017 fiscal year and the increase of 2.50% for the 2017-2018 fiscal year appears to be favorable with the COLA these Districts provided in 2016-2017:

	<u>District</u>	<u>FY</u> <u>16-17</u>
1.	MSAD #35	2.00%
1.	MSAD #60	2.00%*
1.	RSU #51 (Greely)	2.00%
4.	Yarmouth	2.50%
4.	Cape Elizabeth	2.50%
4.	Sanford	2.50%
4.	Scarborough	2.50%
8.	Falmouth	3.00%
8.	Kittery	3.00%
10.	York	4.00%

* As MSAD #60's COLA is variable, this is the value given at the top of the salary scale

Note: Using data obtained from the Census Bureau, the overall increase in Personal Income Per Capita from 2014 to 2015 (the most recent data available) was 4.25% for residents in York County, Maine. Since this takes into account all income (including Social Security, pensions, and Military Retirement), the actual Average Pay Increase for working residents was even higher than the 4.25% being reported.

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Who is negotiating union contracts?

Union Contracts are negotiated and approved by the School Board.

Wages and benefits costs are approximately 79% of total expenditures budgeted, and continue to increase substantially each year. What can be done to slow this increase? Is the District still funding 100% of health benefits? Do employees contribute to their retirement or is it 100% funded for them by the District?

The School Board collectively bargains most of the District's wage increases. Once the Cost of Living Adjustment has been agreed upon and the contract has been signed, the District is committed to fulfill on the contract for the duration of the contract. The Quamphegan Education Association (Teacher's Union) and the MSAD #35 Board of Directors approved a new three-year contract on May 7, 2015, which extends through the 2017-2018 fiscal year.

Several years ago, the District identified health insurance as an area where costs were growing at an alarming rate. In effort to reduce the costs, and to increase employees' active engagement in their wellness, the District began to reduce the employer paid portions of its health plans. This was done in conjunction with a financial incentive provided by the District's healthcare provider, for employees to remain actively engaged in their health plan.

The District currently does not cover 100% of any health plan, but recognizes that increases in health insurance premiums have far outpaced efforts to reduce costs in this area. Employee contribution rates are collectively bargained with a large number of our employees and cannot be renegotiated until the contracts are completed.

Here are the increases in health insurance premiums over the past 5 years: FY 14 13%, FY15 5%, FY16 1.14%, FY17 5.42% and FY18 10% (estimated).

Employees who participate in MePERS are not eligible for social security, but are required to contribute 7.65% of their salary into their retirement account (approximately the same amount they would be required to contribute to Social Security). Employees who do not participate in MePERS are covered by Social Security. All employees have the option of participating in an employer sponsored 403(b) plan.

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While student enrollment has been declining, Full Time Equivalent employees (FTE's) have risen in the past few years. Total FTE's in the 2017 budget total 331.1, while the Essential Programs and Services (EPS) level of FTE's is 207.2. In what programs/services are the additional FTE's utilized?

The 2017 EPS printout has two separate columns showing the total FTE's for the District.

- The “EPS FTE Total” is the EPS FTE total calculated by the State and is based on the average attending enrollment divided by a factor derived by the State. This total for 2017 is 200.5 FTE's based on the District's average attending enrollment using April 2015 and October 2015 figures.
- The actual FTE's from the “Actual FTE Total” column on the 2017 EPS printout, represents the actual FTE total for the positions shown on the printout and is 207.2, a difference of only 6.7 FTE's compared to what the State calculated EPS total is.

These amounts over or under subsidy vary from position to position but are reviewed by the district each year. For example, the EPS formula only allows for 3.0 FTE school nurses based on our attending enrollment, but the district has a FTE in each building (or 5.0) to ensure the health and safety of its students.

The total FTE's by school for the 2017 budget per the 2017 budget book are as follows:

Eliot Elementary School	30.1
Central Elementary School	35.0
Great Works School	24.5
Marshwood Middle School	49.4
Marshwood High School	69.25

This total is 208.25 with the difference between the 208.25 and the 207.2 reported on the subsidy printout being FTE's, which are grant funded. The remaining FTE's are for Athletics, Special Education, Technology, Facilities, Transportation, and Central Office, which are accounted for elsewhere in the EPS formula.

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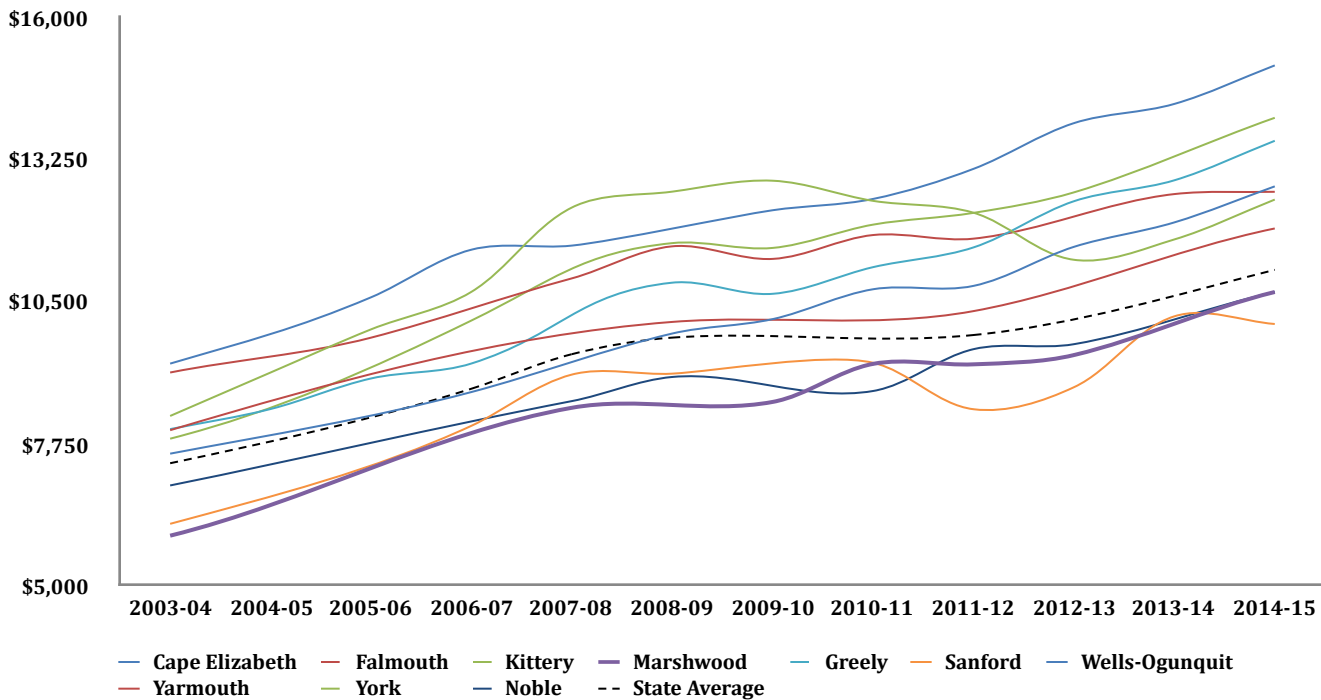
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If student enrollment has decreased in the District over the past several years, why do tax rates continue to increase?

Every cost in the District is tied to student enrollment. If there were zero students to educate, the District budget would be \$0. Over the past 12 years the District's per pupil spending has increased but not disproportionately in comparison to nearby Districts or the other high-performing Districts. [See below] As this spending is on a per pupil basis, declining enrollment has been taken into account.

**Per Pupil Costs
12 Year Comparison**



In 2003-2004 MSAD 35 had the lowest per pupil spending of any of the ten Districts shown above. In 2014-2015 MSAD 35 had the second lowest per pupil spending of the ten Districts shown above. The above show the total dollars spent on a per student basis, which includes both State and local funding.

In the past two years the District's State Subsidy has decreased more than \$1,300,000. Coupled with the State's decision to pass on retirement costs [see FAQ above] of over \$600,000, the District is now paying in excess of \$1,900,000 in costs, which were previously funded by the State of Maine.

The only mechanism to raise the additional funds passed onto MSAD 35 by the State is to raise the money through local taxation. As seen above [see FAQ], the District remains high performing even though per pupil expenditures of the District are below the State average. MSAD 35 is also the only high performing District above whose per pupil costs are below the State average. The District is efficient and mindful of every dollar spent to educate its students, but is dangerously close to a tipping point where additional cuts to reduce the tax burden would irreparably harm the educational core of our District.

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What if the voters do not approve the School Budget at the Budget Validation Referendum vote on Tuesday, June 13, 2017?

FY18 Budget Timeline:

- May 3, 2017 - School Board approves FY18 Recommended Budget warrant articles that are presented for approval at the District Budget Meeting.
- May 17, 2017 - District Budget Meeting, public approves budget warrant articles that establish the FY18 School District Budget which goes to a referendum vote.
- June 13, 2017 - Budget Validation Referendum, public votes to approve FY18 School District Budget established at the District Budget Meeting.

According to state law, Title 20A, section 1487, if the voters do not approve the budget submitted for validation on Tuesday, June 13th, the School Board must hold additional District Budget Meetings and Budget Validation Referendums until a budget is finally approved by the voters. If the voters do not approve a budget before the beginning of the fiscal year, July 1st, the budget approved at the latest District Budget Meeting, is automatically considered the budget for the ensuing year until the voters approve a budget at a Budget Validation Referendum.

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I heard we are contracting with a Food Service Management Company to run the School Lunch Program next year to save money. Can we apply the savings from this contract to our 2017-2018 budget?

In short, no we cannot. The District's Food Service Program has lost money for the past three years due to declining participation by our students, and the increased regulation by the Federal Government.

Due to these losses, the District has contracted with a Food Service Management Company (Chartwells) to manage our Food Service Program.

So, while we are anticipating savings in switching to the Food Service Management Company to run our School Lunch Program, they would offset transfers of fund balance at the end of the year, and could not be counted to reduce the overall expenditures of the District.

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If the District lost \$769,000 in subsidy, why is the District's budget only decreasing \$461,490?

When the District began to work on the 2017-2018 budget, the District calculated expenditures would increase \$573,778 (1.82%). While this figure appears encouraging, the overall increase in the District's tax assessment would be 9.71%. Clearly, the District needed to adjust its budget in order to reduce the tax burden on the local communities. The District decided to reduce expenditures by \$375,000 coupled with a planned use of fund balance of \$800,000.

By implementing the above, the District's recommended tax assessment was reduced from 9.71% to 2.62%. However, the District received its preliminary subsidy amount from the State of Maine in February. Generally, the District receives a slight increase in subsidy each year, but due to changes in the Governor's proposed 2017-2019 biennial budget, the District learned that its subsidy had been cut \$769,000 from the funding level provided in 2016-2017.

After the District's strategic cuts of \$375,000 to reduce the tax burden without significantly impacting the District's educational core, the Administrative Team realized that there were two ways the District could plan for this proposed loss in subsidy.

The first would be to keep our budget and educational core as is, and ask the taxpayers from South Berwick and Eliot to fund the \$769,000 by increasing the tax rates in each community. This would increase the overall District Assessment to 7.24%.

The only way to decrease the District's budget by more than \$700,000 was to review the School Board of Director's class size policy and increase maximum class sizes by one and review scheduling at the secondary schools. Through this means, the District could potentially cut an additional \$600,000 by eliminating positions at every school, while making another round of strategic cuts of \$109,000, thus decreasing the District's budget a further \$709,000. We would then need to ask the taxpayers from South Berwick and Eliot to fund the remaining \$60,000 in cuts from the State of Maine. This will increase the overall District Assessment from the 2.62% calculated above to 2.97%. Let's be very, very clear. These drastic cuts in staffing and related services as a result of the increased class sizes will impact each and every single student enrolled in MSAD 35 next year.

The District has cut \$1,084,000 (\$375,000 of original cuts + \$709,000 due to reduced subsidy) from its desired 2017-2018 budget. Further cuts to reduce the tax burden, would cause even deeper harm to the District's educational core.

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Frequently Asked Questions

FY 18

How is our state subsidy amount calculated?

The state DOE uses the following seven step process to calculate our state subsidy amount:

Step #1. Using the EPS formula and the financial and staffing data from each district the state DOE calculates a minimum amount that each district should be spending on K-12 education and adds these individual district amounts together to come up with a state-wide amount.

Step #2. In accordance with the law the state legislature should fund 55% of the number arrived at in Step #1, however the governor and the legislature agree on an amount they feel the state can afford to contribute towards education, which has never reached the required 55% mark.

Step #3. The DOE then calculates the total amount that all local districts must contribute by subtracting the state contribution arrived at in Step #2 from the statewide recommended expenditure amount from Sept #1.

Step #4. The Maine Revenue Service provides the DOE the certified full-equalized value of all real and personal property subject to taxation in the state.

Step #5. The DOE uses the property value amount in Step #4 to calculate a minimum required mill rate that each local district should use to raise taxes in support of education in its district by dividing the statewide local district contribution from Step #3 by the statewide property valuation.

Step #6. The DOE calculates our minimum required contribution by multiplying the minimum required mill rate established in Step #5 by the state certified property value in each town.

Step #7. Our district subsidy is the difference between the amount the EPS formula recommends we spend on education from Step #1 and our minimum required contribution from Step #6:

	<u>FY 2016-2017</u>	<u>FY 2017-2018</u>	<u>Change</u>
EPS Minimum Recommended Amount:	\$24,223,610	\$23,677,019	-\$546,591
District Certified Property Value:	\$1,476,366,667	\$1,504,916,667	\$28,550,000
Minimum Required Mill Rate:	8.30	8.29	-0.01
Minimum Required Local Contribution:	\$12,253,843	\$12,475,759	\$221,916
State Subsidy:	\$11,969,767	\$11,201,260	-\$768,507

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Frequently Asked Questions

FY 18

If there is a decrease in expenditures from fiscal year 2017, why are my taxes increasing?

The amount of taxes required to support the school budget is determined by subtracting from the district budget the projected non-tax revenue amounts: state subsidy; other revenues including the Rollinsford tuition payment, interest income, service fees, and federal reimbursements; and the applied fund balance.

(district budget – total non tax revenue = district assessment)

You can see from the chart below that while the FY18 district budget decreased by \$461,490 the total non-tax revenue amount decreased by even more (\$955,980) thereby requiring an increase of \$494,490 in the district assessment.

	<u>FY17</u>	<u>FY18</u>	<u>change</u>
District Budget	\$31,444,172	\$30,982,682	-\$461,490
<hr/>			
<u>Non-Tax Revenue</u>			
State Subsidy	\$11,969,766	\$11,201,259	-\$768,507
Other Revenue	\$1,530,215	\$1,851,717	\$321,502
Applied Fund Balance	\$1,308,975	\$800,000	-\$508,975
Total Non-Tax Revenue	\$14,808,956	\$13,852,976	-\$955,980
<hr/>			
District Assessment	\$16,635,216	\$17,129,706	\$494,490

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Frequently Asked Questions

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How is the amount charged to the Town of Rollinsford for each tuition student calculated?

For the 2017-2018 budget, we are projecting a total of 149 students.

To calculate a tuition amount for these students, the district takes the prior year operating budget (\$31,444,172), and removes the following items: Student Transportation (\$1,938,984), Special Education Costs (\$3,195,832), Vocational Education Costs (\$159,682), Out of District Tuition (\$698,105), State Paid Debt Service (\$1,199,699). This remaining amount (\$24,251,871) is then divided by the April 1, 2016 MSAD 35 Subsidizable Enrollment (2,255) and the Rollinsford Enrollment for 2017 (130).

$$\$24,251,871 / (2,255 + 130) = \$10,168.50$$

This \$10,168.50 is multiplied by the projected enrollment for our 2017-2018 budget (149) and amounts to \$1,515,107.

Additional costs for special education are billed separately on a fee for service basis. A copy of the Rollinsford agreement is available on the District's website.

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Frequently Asked Questions

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The detailed budget for the Marshwood Athletic Program shows Salaries and Benefits totaling \$341,516, yet the budget shows only 1 FTE. Please provide a breakdown of those additional salaries and benefits.

The 1 FTE represents the District's Athletic Director. Amounts are also allocated for coaching stipends at the Middle School and High School. There are also amounts budgeted in this amount for officiating games at the Middle School. Please see the breakdown below:

District Athletic Director (Salary and Benefits)	\$ 115,000
Coaching Stipends (Middle School)	49,350
Coaching Stipends (High School)	157,675
Taxes and Benefits*	11,991
Middle School Officials	7,500
Total	\$ 341,516

*This is the employer share of payroll taxes and retirement contributions on the coaching stipends.

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Frequently Asked Questions

FY 18

Since school year 2014, the District has charged the member communities approximately \$1.67 million for Teacher Retirement Costs. Has the State funded any of its portion of Teacher Retirement costs that had also been funded by the member communities? If so, what has been the accounting treatment of those receipts?

No.

Each year, prior to fiscal year 2014, the State of Maine paid 100% of the employer share of retirement contributions to MePERS. Beginning in FY2014, the State passed along to local districts its previous financial obligation in the amount of 2.65% (\$353,000) of the covered members' wages. The 2.65% of covered member wages remained in effect for the 2015 fiscal year as well, but increased almost 27% to 3.36% in 2016 and 2017. For 2018, that percentage is increasing again to 3.97% (\$603,000).

The State has continued to fund a reduced portion of the teacher retirement costs in FY 2014-2016. These amounts have been recognized as both a revenue and offsetting expenditure on the districts financial statements in 2014-2016 as Maine PERS on-behalf payments. This is a bookkeeping entry only, as the district never actually receives this money from the State of Maine and is not required to make the required contribution as the State of Maine sends the money directly to MePERS. The amounts funded for our District in 2014-2016 by the State of Maine were the following: the 2014 contribution was \$2.009 million, the 2015 contribution was \$2.007 million, and the 2016 contribution was \$1.773 million.

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The District is currently proposing increasing class sizes and reducing teacher positions due to the proposed losses in State Subsidy. The District is also proposing spending approximately \$428,000 on new technology. Instead of spending money on new Technology, why not use it to keep as many teaching positions intact as possible?

The proposed decreases in State Subsidy funding are severe and will impact every student in the District for FY 2018. Difficult decisions had to be made in order to make the cuts necessary to reduce the District's budget, while attempting to keep the District's education core intact. The Superintendent has proposed cutting the technology department services and supplies budget by \$50,000 in an attempt to reduce the FY 2018 recommended budget. Also a District Technology Specialist position has been eliminated, further reducing the technology budget to an overall decrease of 14.9%.

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What are the District's per pupil expenditures for FY 2016?

Below please see an excerpt from the District's 2016 audited financial statements. As you can see the District's total expenditures for FY 2016 were \$28,831,611, divided by the total attending enrollment at April 1, 2016 of 2,358 gives you a per pupil cost of \$12,227.

<u>Expenditure Category</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>FY2016</u>	<u>Difference</u>
Extra-curricular programs	774,471	812,621	791,751	20,870
Staff and student support	2,909,207	2,885,843	2,747,002	138,841
System administration	898,754	898,754	815,653	83,101
School administration	1,663,402	1,790,315	1,787,238	3,077
Facilities operations/maintenance	3,255,728	3,255,728	2,984,706	271,022
Student transportation	2,052,238	2,032,238	1,787,006	245,232
Debt service	1,636,467	1,636,467	1,572,295	64,172
Total expenditures	30,314,047	30,314,047	28,831,611	1,482,436

Why is the amount calculated above different than what has been presented by the District?

The State of Maine typically does not include debt service expenditures and transportation costs when comparing districts as these two costs vary greatly between districts depending on how geographically spread out a district is, or the age of the district's facilities. If you subtract out the Student Transportation expenditures of \$1,787,006, and the Debt Service expenditures of \$1,572,295 from the \$28,831,611 you arrive at a Per Pupil cost of \$10,803 for fiscal year 2016 an increase of only 1.15% over the District's per pupil cost for fiscal year 2015!

How do these calculations compare to the other nearby or high performing Districts?

<u>District</u>	<u>Total Per Pupil Cost</u>	<u>Per Pupil Cost as calc. by State of ME</u>	<u>Difference</u>
Sanford	\$ 10,749	\$ 10,185	\$ - 618
MSAD 35	12,227	10,803	-
MSAD 60	12,286	10,808	+ 5
Scarborough	13,662	11,958	+ 1,155
Yarmouth	14,016	12,597	+1,794
Falmouth	15,505	12,681	+ 1,878
Kittery	14,250	12,725	+ 1,922
Cape Elizabeth	14,160	13,243	+ 2,440
York	16,715	15,119	+ 4,316
Wells-Ogunquit	18,430	15,160	+ 4,357

If you take the average per pupil cost as calculated by the State of Maine for the Districts above (including MSAD 35) you arrive at an average of \$12,528. If the District increased its per pupil spending to the average of the nearby and high performing Districts, the District's budget would increase \$4,067,550 or 12.94% in 2018!

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FY 18

Why does the School District need a Central Office if the State is no longer going to be contributing any State Subsidy to fund Central Office?

- The School District is the largest employer in both South Berwick and Eliot with over 380 full or part-time employees (exclusive of the District's 100 substitutes). The Central Office manages the payroll and human resources for all of these employees.
- In addition to the payroll and human resources functions, the Central Office is responsible for creating and managing the budget for and the daily of the operation of the following support functions:
 - The District manages five campuses, three properties in South Berwick and two properties in Eliot. These campuses encompass approximately one hundred twenty-four acres, all maintained by the District. On these five campuses, the District operates six buildings totaling 447,337 square feet. The overall appraised value of these facilities is approximately \$80,000,000. Maintenance and operation of these facilities is costly. Each year the District purchases approximately 18,000 gallons of heating oil, 64,000 gallons of propane, 82,000 therms of natural gas and 2.3 megawatt hours of electricity.
 - The District also leases a bus maintenance facility, where it stores, operates and repairs 29 buses, and 8 vans. These vehicles travel approximately 450,000 miles per year using 55,000 gallons of diesel fuel and 8,000 gallons of gasoline. These vehicles allow the District to transport over 2,300 students to and from school, to athletic contests, and field trips.
 - The District also operates 5 cafeterias at its schools, which serve approximately 135,000 meals per year to its students.

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Frequently Asked Questions

FY 18

Why is the loss of funding from the State so high? Is it because the District's System Administration costs are vastly more than other Districts?

The District's loss of State Subsidy is based on 48 different changes to the State Subsidy formula. The largest factor in our District's loss of State Subsidy was the removal of reimbursement for System Administration costs.

Historically the State had reimbursed System Administration at a per pupil rate (\$233 for FY 2017), but for FY 2018 the State removed the reimbursement of these costs completely. This removal was at the same rate for all School Districts in the State of Maine.

Let's compare our District with the City of Biddeford, Maine, a school district with a similar number of students in their schools, but one who saw a significant increase in their proposed State Subsidy from FY 2017 to FY 2018:

	MSAD 35	Biddeford
(Loss) System Administration	\$ (540,000)	(567,705)
Gain / (Loss) Disadvantaged Students	(53,871)	37,157
Gain / (Loss) English Proficiency Learners Subsidy	(5,643)	191,291
Gain Student Assessment Subsidy	177	1,692
Gain / (Loss) Technology Resources Subsidy	(5,301)	6,810
Gain / (Loss) PreK-2 Targeted Funds	50,405	176,923
Gain / (Loss) in Operating Allocation Totals	\$ (554,233)	(153,832)

As you can see above, while the City of Biddeford started out with a larger decrease in State Subsidy due to System Administration, its increases in other areas made up for a significant portion of that decrease, while MSAD 35 saw only further decreases in these areas.

The above represents a small portion of the calculation of overall State Subsidy, but it is a good representation of how a School District of similar size can see a sizable increase in State Subsidy while our District is seeing a drastic reduction in State Subsidy.

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FY 18

I heard that the District's allocation for Substitute Teacher's is being reduced next year. Does this mean that Substitute Pay will decrease next year?

No. Substitute pay will actually be increasing in 2017-2018 from the current rate of \$85 per day to \$95 a day. The School Board of Directors will decide whether or not to increase this amount in future years based on any cost of living adjustments they approve.

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Frequently Asked Questions

FY 18

If the governor's proposed budget is eliminating the state subsidy for system administration, why isn't the District cutting central office staff rather than teachers?

The FY2018 budget for system administration, which funds the operations of the school board, superintendent's office, and business office, is projected to increase by \$22,146 (2.41%) to fund increases in salaries and health insurance premiums for the central office staff. The board believes that the central office is as lean as it can be, and further reductions would sacrifice critical functions such as payroll, accounts payable, and human resources. In fact our District's system administration cost per pupil, a metric the state uses to compare the efficiency of districts across the state, is below the state average. We feel the governor's stated objective of reducing the number of school districts by eliminating the state subsidy funding for system administration and thereby encouraging districts to combine is ill conceived and unfairly punishes districts that already run efficient central office operations such as ours.

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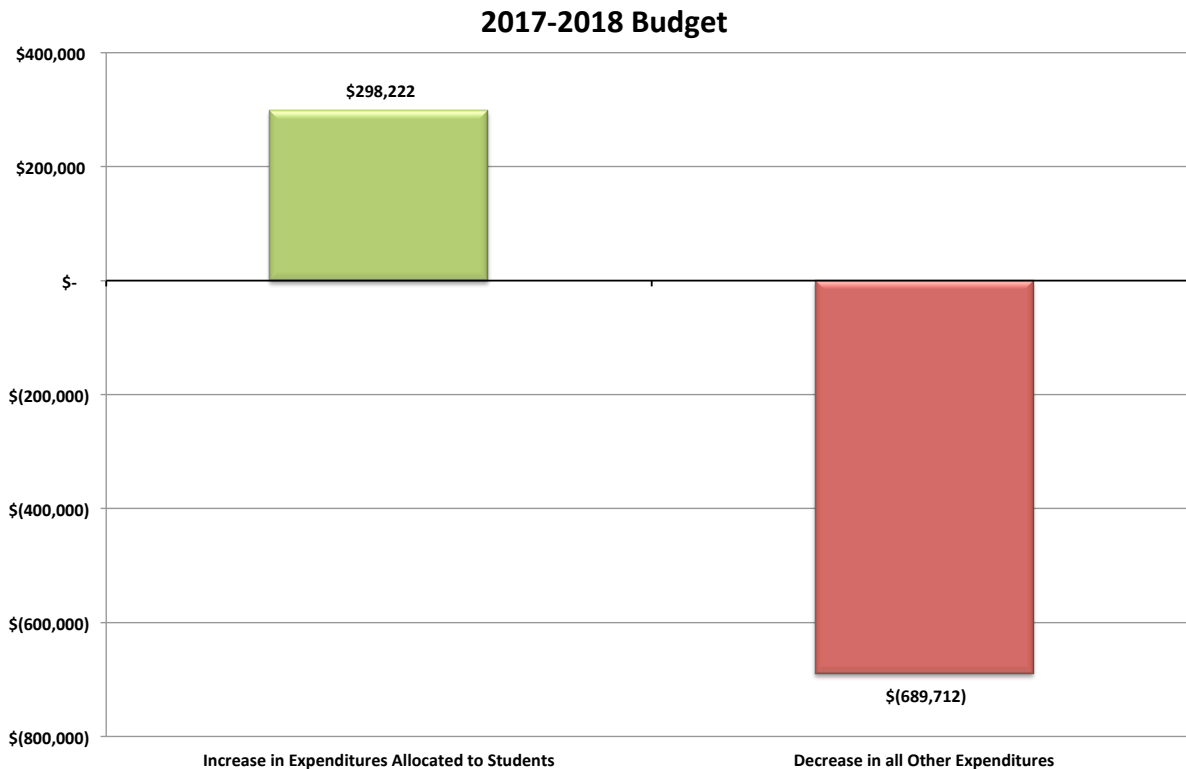
FY 18

I have heard the District say several times that it was extremely careful with budget cuts, in order to preserve as much of the District's high quality programming as possible. What types of cuts were made to the various areas?

The District's mission has always been to provide a high quality education to the students of the District, using the resources available. As addressed in several of our other FAQ's the District provides incredible value at a low cost per student.

In the current year, due to the Governor's proposed budget, the District State Subsidy funding is \$769,000 less than what was provided by the State in the prior year. Drastic cuts had to be made to the District's budget, and careful consideration was given to each of the cuts and how they would impact the students and staff of the District.

As previously reported, \$0.70 of every dollar spent in the District goes directly to the educational experience of the students. Using this same methodology to review 2017-2018 budget, the District's overall budget decreased by 1.25%, but the amount of dollars budgeted to be spent directly on students increased \$298,222 or 1.36%. In order to make this possible, the funding for all other areas of the budget decreased \$689,712 or 7.24%.

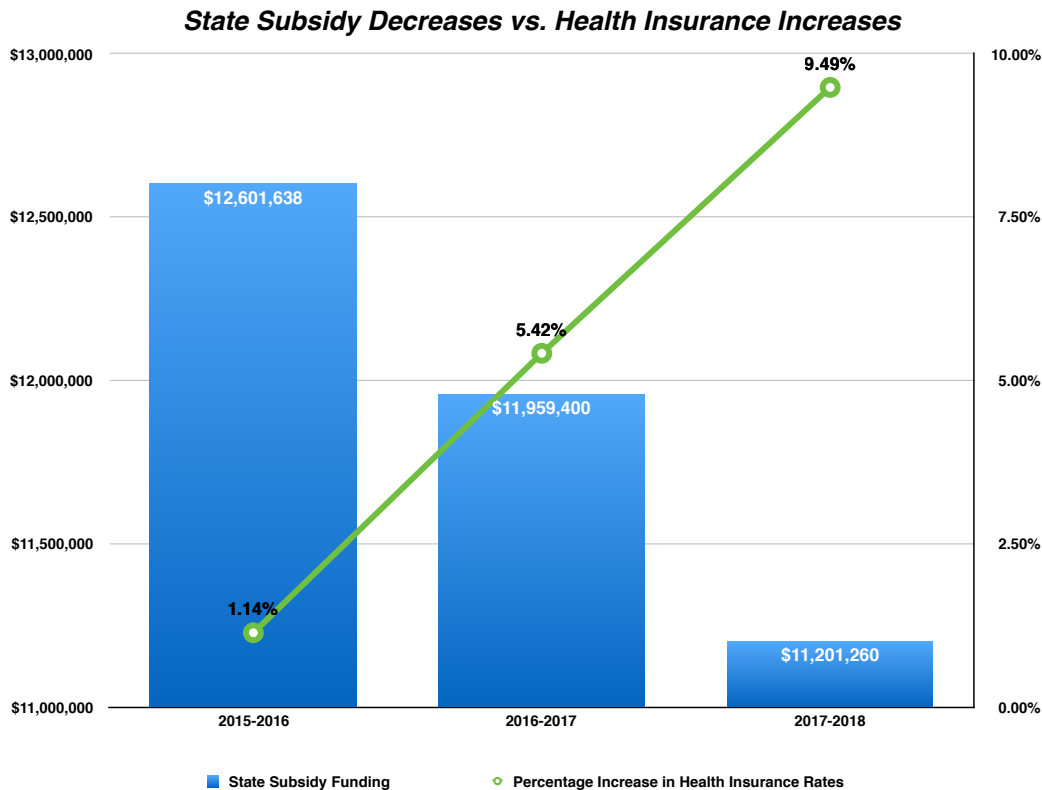


Frequently Asked Questions

FY 18

The District has stated several times this year that it has potentially lost \$769,000 in State Subsidy funding for the 2017-2018 fiscal year. What has State Subsidy funding been over the past three years?

The District's State Subsidy funding has decreased substantially over the past two years. From the 2015-2016 funding level of \$12,601,638 to the proposed State Subsidy funding in 2017-2018 of \$11,201,260, the District has lost \$1,400,378 in State Subsidy funding in the past two years alone. During that same time period costs have continued to rise, in some cases dramatically. For example, health insurance premiums increased 5.42% in 2016-2017 and are increasing 9.49% in 2017-2018. Every percentage point increase in health insurance premiums equates to approximately \$40,000 of additional cost to the District. So the increase of 5.42% in 2015-2016 cost the District approximately \$217,000 and the increase in 2017-2018 will cost the District approximately \$380,000. Combined with the loss of State funding over those years, this additional \$597,000 in health insurance premiums has created a shortfall in the District's budget of approximately \$2,000,000 that has to be funded with Local Tax Revenues. This is without taking into account any other factors, including cost of living increases, inflation, fuel prices, repairs and maintenance etc.



During the time frame above the District's subsidizable enrollment decreased by 58 Students so a reduction in State Subsidy was to be expected. The 2015-2016 State Subsidy funding per subsidizable student was approximately \$5,490. Using this as a baseline, the District's subsidy should have decreased approximately \$320,000 given the change in subsidizable enrollment. If you take the total loss in State Subsidy funding (\$1,400,378) and allocate it to the change in subsidizable enrollment (58 students), it equals \$24,144 per student almost 4 1/2 times the 2015-2016 rate! Clearly, declining enrollment was not the only factor, in the State's funding cuts.

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