



Portland Public Schools FY 2019 Budget Memorandum

Great schools are key to a great city. We hear this all the time. Portland is a great city. And Portland Public Schools has been a part of making it so.

This fall's Portland Promise campaign featured 10 Portland Public School graduates who represent the diversity and impact of the school district to this community. All 10 share two things in common: they are proud graduates of the Portland Public Schools and they all live, work and are part of our thriving greater Portland community.

As we enter the FY 2019 budget process, we will be asking our community to make a clear choice:

Do we continue to support great schools and invest in making them even better?

or

Do we allow the degradation of the school system by failing to sustain the level of investment needed to maintain quality schools?

OUR SUCCESSES

In addition to having outstanding graduates who are part of the fiber of this community, Portland schools measure up in multiple ways. Here are some examples:

Portland Public Schools in the top 10 in Maine: Portland schools were ranked as the 8th best school district in the state of Maine by Niche, a national organization that specializes in [ranking](#) communities and schools. Also, a recent article in the New York Times highlighted the work of Richard Reardon, an economist at Stanford University who has used longitudinal student test performance on state assessments and developed a “growth measure” that indexes the growth students make on these tests. The resulting national [database](#) is searchable and ranks school districts based on the progress that students make on average over their 3rd to 8th grade school career. As shown in Figure 1 below, Portland schools rank among the top districts in the State. It should be noted that on average, Portland students grow 5.6 years over a 5 year period. Average performance is 5 years over this same timeframe. The range is from 6.5 years on the high end to 3.9 on the low end.

Figure 1

How does Portland Public Schools compare with other school districts in the state in terms of average growth in math and language arts combined?

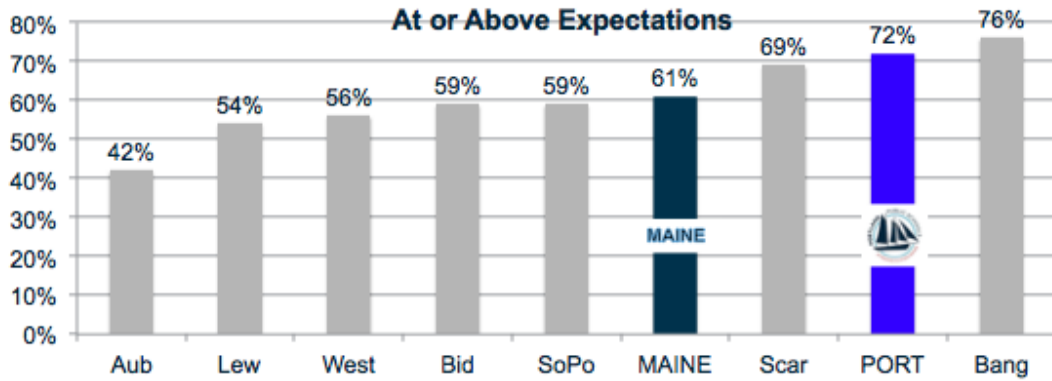
DISTRICT	GROWTH AFTER 5 YEARS	NAT. PCT.*	MEDIAN INC.
RSU 26	6.5 yrs.	100th	\$87k
Brunswick School Department	6.5 yrs.	100th	\$77k
MSAD 28	6.0 yrs.	97th	\$69k
MSAD 51	5.8 yrs.	95th	\$103k
MSAD 22	5.8 yrs.	94th	\$76k
Brewer School Department	5.7 yrs.	92nd	\$74k
Acton School Department	5.7 yrs.	93rd	\$78k
Orrington School Department	5.7 yrs.	92nd	\$66k
Portland Public Schools	5.6 yrs.	91st	\$54k
Cape Elizabeth School Department	5.6 yrs.	90th	\$114k
Falmouth School Department	5.4 yrs.	82nd	\$111k
Scarborough School Department	5.2 yrs.	76th	\$96k
Bangor School Department	4.9 yrs.	54th	\$54k
Westbrook School Department	4.8 yrs.	47th	\$59k
South Portland School Department	4.4 yrs.	25th	\$59k
Lewiston School Department	4.4 yrs.	25th	\$36k
Biddeford School Department	4.3 yrs.	22nd	\$52k

*National percentiles are based on school districts with reliable data.

High-level student achievement: Portland schools serve a highly diverse student population. Comparisons that show the performance of all students misrepresent the high level of performance for middle class students in the Portland schools. Figures 2, 3 and 4 below show that on Maine’s educational assessments, Portland middle class students compare favorably to similar students in neighboring and comparable communities.

Figure 2

3rd Grade Reading 2017 MEA Regional Comparisons

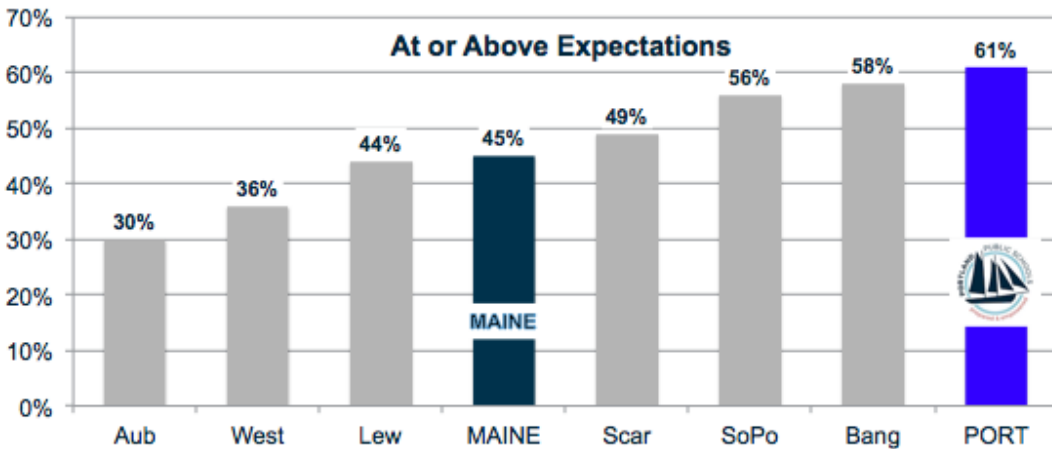


Not Economically Disadvantaged



Figure 3

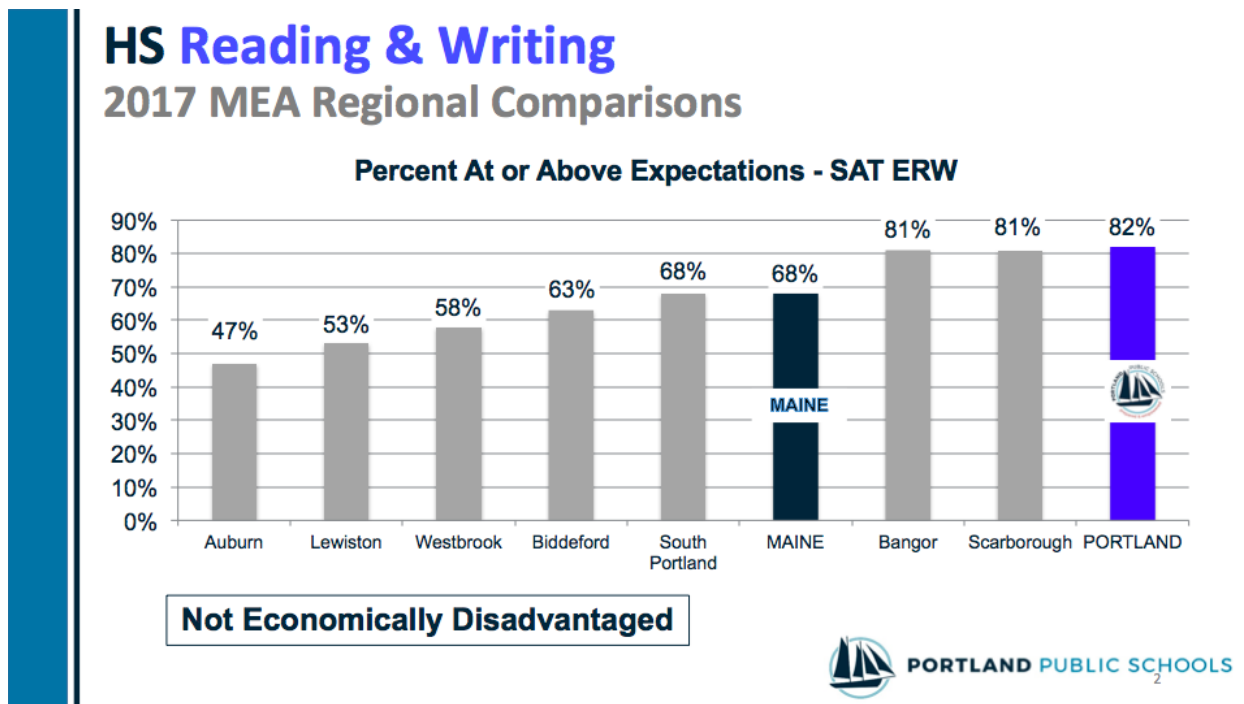
8th Grade Math 2017 MEA Regional Comparisons



Not Economically Disadvantaged



Figure 4



Diversity an asset: There is significant research showing that students benefit greatly from attending school with students who are different. Exposure to students who have different experiences and world views has measurable impact on increased democratic participation, improved cognitive skills and increased intercultural knowledge and employment participation. Anyone who has engaged with Casco Bay High School or King Middle School students through their public policy expeditions or witnessed the empathy and energy of high school students from all three schools speaking out against hate crimes committed against their peers can attest to this. Anyone who has witnessed KingFellows hosting or reading their poetry at the annual Martin Luther King Jr. dinner knows this to be true. Our students benefit from being around the rich diversity in our community. Recognizing this, colleges and universities have sought increased diversity in their enrollment for decades. Portland Public Schools is one of very few places in Maine where this is a reality, not an aspiration.

High school choice: Portland's schools are unique in Maine in other ways. We are the largest and most diverse district in the state. We are the only district in Maine with three unique public high school options. Our high school students travel to the school of their choice via district funded public transportation.

Cultural and civic opportunities: Portland Public Schools' students are fortunate to be able to take advantage of all our great city has to offer. Every year, every Portland Public Schools student attends cultural and arts events through the district's Culture Club partnership with Portland Symphony, Portland Stage, Portland Ovarions and the Portland Museum of Art. Students in our schools access dual enrollment university classes through the University of

Southern Maine and Southern Maine Community College. They access all of the great cultural and civic institutions that are uniquely present in Portland and are increasingly committed to making a mark in the educational attainment of our students. Everything we do as a school system teaches them that they are citizens of a great city.

OUR PROMISE

Our district is on the move. Here are some highlights:

Buildings for Our Future: Through the commitment of Portland's voters, we are beginning a major rebuilding of our elementary school facilities. Portland voters overwhelmingly supported a bond measure to fund the modernization of Longfellow, Lyseth, Presumpscot and Reiche elementary schools this fall. The four year, \$64 million project will upgrade all Portland mainland elementary schools to a 21st Century standard. Modern facilities hold the promise of attracting families to our community and retaining them.

Universal pre-K initiative: Since 2010, the school district has made a commitment to increasing public pre-kindergarten options. Currently, the district offers PK services in 4 schools and 2 other district funded locations. Working in tandem with its partners, an implementation plan will be completed in the fall of 2018 to achieve universal access to high quality publicly supported PK for any student whose family wants it. Communities that make this type of commitment increase their ability to attract and retain young families by engaging them early and creating long term relationships with the schools.

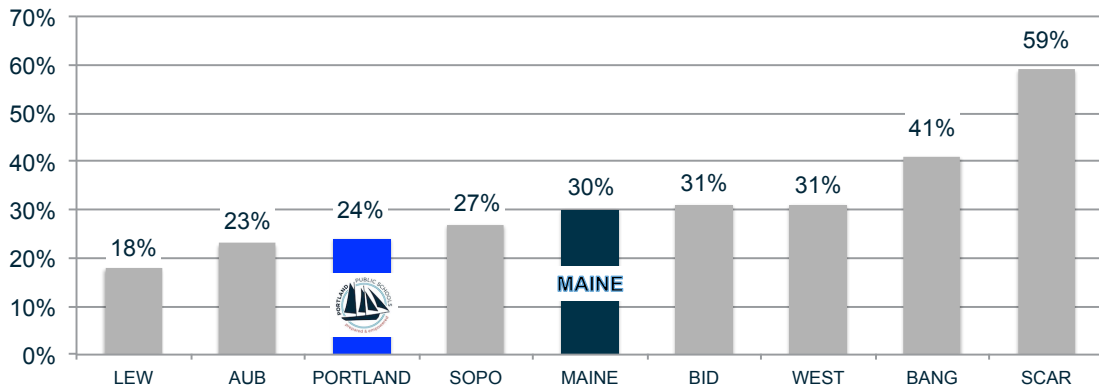
Workforce connections: Portland schools are increasing their connections to the workforce development needs of the community. This is an area where much more work can be done. But the forward-looking efforts of the Portland Education Foundation to link the district to the business community through enhanced partnerships are beginning to yield results. Planned investments in science technology engineering and math (STEM) partnerships promise to multiply the opportunities for partnerships with some of Portland's most exciting businesses.

Strengthening Adult Education: Increased investment in our Portland Adult Education programs will enable more of our families to access the education that will enable them to attain better employment prospects.

Our Equity goal: The district recognizes that contrary to the performance of its more affluent students, there is an opportunity and achievement gap for students from poverty and students of color as noted in the following figures. We are working to reduce those gaps through our Portland Promise's Equity, Achievement, Whole Student, and People goals. We've set five-year targets to measure our progress towards these goals and strategies to achieve them.

Figure 5

4th Grade Math: Economic Disadvantage 2017 MEA Regional Comparisons



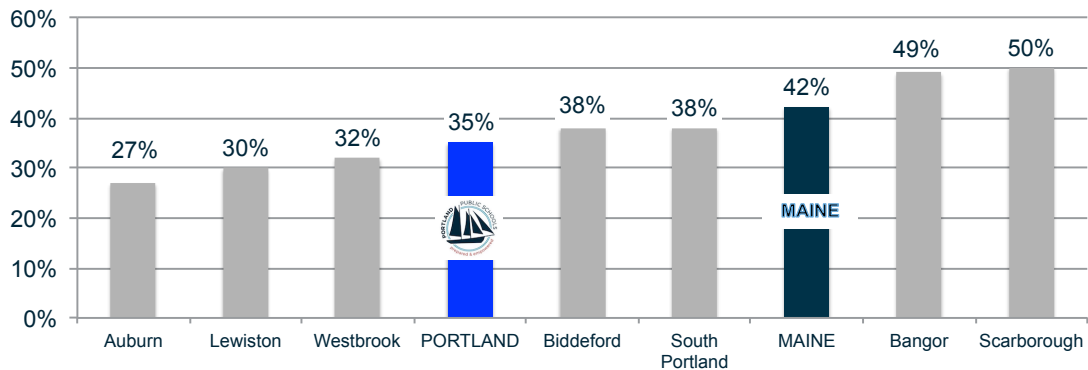
Equity Measure

Increase academic outcomes for all and reduce gaps between student subgroups



HS Reading & Writing 2017 MEA Regional Comparisons

Percent At or Above Expectations - SAT ERW



Economically Disadvantaged



A CROSSROADS

Portland schools, indeed the Portland community, is at a crossroads. As a result of Portland's growing real estate wealth, as measured by our valuation, state funding for PK-12 education in our schools will drop by over \$3 million in FY 2019. Reasonable expectations suggest that, absent a massive infusion of funding at the state level, funding will further drop by \$4-7 million in FY 2020.

Will Portland decide to continue to support great schools and invest in making them even better? Or, will we, instead, allow the degradation of the school system by failing to sustain the investment needed to maintain these quality schools?

Let's begin by looking at the state funding picture in depth.

State Education Subsidy

For the FY 2019 budget year, the Department of Education made significant changes to the school funding formula. These include two major formula changes that impact our anticipated FY 2019 state revenue. One change, shifts from a three- to a two-year valuation average. This drops 2015 from the State Equalized Valuation (\$7.7B) and uses only 2016 and 2017 (\$8.2B). A second one shifts funding for Career and Technical Education from an expenditure-driven model, where allocations were based on recent expenditures adjusted for inflation, to a cost-based model, where allocations are based on certain determined cost centers and student numbers. In addition, state subsidy payments, covering both the state and local share, will be targeted directly to CTE Centers and districts will no longer charge tuition to other sending districts.

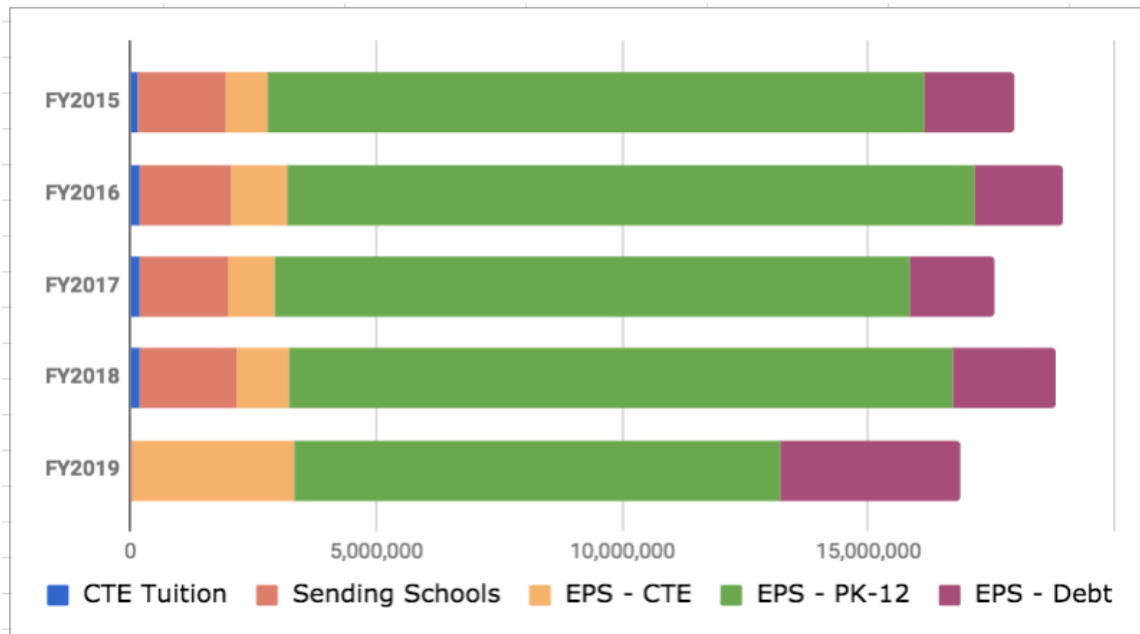
Impact of the Valuation Change

Portland's local contribution increased by \$6.7M over FY 2018, \$1.5M of the increase can be attributed to the loss of 2015 from the State Equalized Valuation calculation. The 2018 valuation has already been set by the state so in addition to this one year shift of \$6.7M, we anticipate Portland will see an additional shift to local responsibility between \$4.5M and \$7.5M for FY 2020. As the current funding formula is grounded in local assessed valuation, we anticipate that the local required contribution will continue to increase significantly while the offsetting allocation will only increase 1-2% annually based on inflation figures applied by the Department of Education. The net result is that Portland will continue to see dramatic losses in state education subsidy for the foreseeable future unless significant changes are made to the funding formula or to the total amount of funds available for education.

Impact of the Career and Technical Education Shift

The second major change in the FY 2019 funding formula shifts both local and state share of the cost of Career and Technical Education into the state's funding formula. Portland received approximately \$3.3M for PATHS and in return, we are unable to invoice other districts for their portion based on the number of students they send to PATHS. For FY 2019, this represents a loss of tuition revenue of approximately \$1.8M. Figure 6 below shows how the Portland Public Schools revenue sources are being consolidated, leaving a larger burden on our remaining revenue source, which is property taxes.

Figure 6



Altogether, according to the DOE, Portland’s total allocation was \$6.9M higher than the FY 2018 allocation for a total of \$87M and the local share increased by \$6.7M for a total of \$70.2M. The net difference of \$16.8M is what we anticipate we will receive in Education subsidy, approximately \$200K higher than FY 2018. Of that \$16.8M, \$3.3M is for CTE education and \$3.7M is debt service reimbursement, of which \$1.6M is new in FY 2019 for the new Hall School. The remaining \$9.8M is what is left over for funding Pre-K through grade 12 education in Portland for FY 2019. The \$16.8M will be further reduced by \$500k which is the amount we anticipate will be withheld by the DOE for MaineCare Seed, the budgeted State Subsidy for FY 2019 will be \$16.3M.

PROPOSED 2019 BUDGET

Sustaining quality schools in this challenging state budget picture will require a significant commitment from the Portland community.

Our proposed budget requires an investment of \$113 million in FY 2019. This is a 7% increase over FY 2018. This increase is in line with the expected local contribution increase outlined in the state’s Educational Programs and Services formula discussed in the previous section. Of the \$7.6M increase over FY 2018, almost \$2M is due to our increase in debt service obligations for Hall School. A majority of the remaining \$5.6M, a 5.4% increase over FY 2018, is for anticipated and projected salary and benefit increases of \$3.9M, \$300k is for increases in all other areas of the budget, and the final \$1.4M is for new investments related to the implementation of the district’s comprehensive plan (~1% of the total budget).

The following section provides the details about these increases.

FY2019 Budget

	FY2019 Budget	FY2018 Budget	Change	% Change
Salaries	69,192,870	66,228,977	2,963,893	4%
Benefits	20,504,392	18,247,724	2,256,668	12%
Debt Service	7,967,516	6,016,755	1,950,761	32%
Other	15,720,496	15,255,133	465,363	3%
	113,385,274	105,748,589	7,636,685	%

	FY2019 Budget	FY2018 Budget	Change	% Change
General Fund	107,360,983	100,281,795	7,079,188	7%
Adult Education	2,394,392	1,919,778	474,614	25%
Food Service	3,629,899	3,547,016	82,883	2%
	113,385,274	105,748,589	7,636,685	7.2%

1000 – Salaries – increase of \$2,963,893 (4% increase)

Salaries have increased 3% over the prior year which aligns with our planned increases due to contractual obligations with our ratified contracts with the PEA, PAA, and BASE unions and our anticipated increases with our Ed Tech contract that is up at the end of the current fiscal year and the planned increase for our Non-Rep groups. The additional 1% represents requested positions, due to needs in the classroom, additions to content leadership and the loss of grant funding.

Curriculum Specialists	3.00	252,000	Achievement
Director of Social & Emotional Learning*	1.00	123,000	Social Emotional Learning
Social Worker	1.10	77,000	Social Emotional Learning
Additional Adult Ed Positions (net)	1.00	92,500	Adult Ed
Expanded Learning Opportunities Coordinator**	2.00	210,000	Whole Child
Community Coordinator	0.32	16,000	Whole Child
Make It Happen Coordinator	1.00	42,000	Whole Child
Parent & Community Specialist	0.20	8,000	Parent Engagement
Assistant Principal	0.50	50,000	Equity
Two Day Teacher Seminar	n/a	<u>184,000</u>	Achievement
		1,054,500	Salaries & Benefits

* Position previously funded by Grant

**Position formerly JMG Staff

2000 – Benefits – increase of \$2,256,668 (12% increase)

Benefits are up just over 10% over the prior year, almost entirely due to the anticipated increase in health insurance. In the FY 2018 budget, PPS budgeted a 6% increase in health insurance and realized an actual increase of 9.25%. Therefore, we needed to make up the additional 3.25% from FY 2018 to get to actual costs, plus a budgeted 9% increase for FY 2019. There are also variable costs specifically tied to salaries, such as retirement and Medicare, that are up due to the increased salary amounts.

3000 – Purchased Professional & Technical Services – decrease of \$54,131 (2% decrease)

The FY 2018 budget increased by \$100,000 due to the one-time budget additional to supplement the loss of the Proficiency Grant, so this budget incorporated some of those professional development costs but was able to cut \$55,000 of the new funding. Of the \$2.8M, contracted services represent approximately \$2,035,000 of the total budget, employee training and development is \$460,000, legal services are \$140,000, security services are \$145,000, and architect and engineering services are \$20,000.

4000 – Purchased Property Services – increase of \$409,456 (14% increase)

The increase of \$400,000 can be directly attributed to a few cost categories. The first is due to two computer leases that the district signed during FY 2018 using e-rate reimbursements to cover the first year of payments. However, we will need to fund \$168,000 in FY 2019 for the high school chrome book devices, and another \$25,000 for teacher laptops. Luckily, we were able to obtain \$67,000 of laptops for teachers with the state picking up \$42,000 of the total cost.

5000 – Other Purchased Services – decrease of \$32,713 (1% decrease)

The decrease in this category is attributed to the ability of our transportation department to reduce our contracted transportation costs between FY 2018 and FY 2019. You may recall that this was an area where the budget was increased in FY 2018 and they have successfully been able to reduce those costs during the year. These reductions were offset by an increase in insurance for the chrome-books which the district is covering the cost of. The total lease payment and cost of insurance was still a less expensive alternative than replacing the students' computers with Macs and asking parents to pay for the insurance. The other increase in this category is tuition to in-state districts where we are paying Long Island for four students from Great Diamond Island and for Cliff Island students to take art and music classes.

6000 – Supplies – increase of \$216,133 (4% increase)

The discretionary budget allocated to schools for things like instructional supplies, books, general supplies, software licenses and other supply items is based on the number of students and multiplied by an elementary, a middle school, and a high school allocation.

These allocation figures had not been increased in at least five years. In the current year, we decided to increase the allocation to \$135 per elementary student, \$150 per middle school student, and \$165 per high school student. Overall this added approximately \$200,000 to the budget. Also included in the supply budgets are natural gas, electricity, oil, gasoline, food and non-food costs which have all remained relatively flat.

7000 – Equipment & Capital Purchases – decrease of \$112,929 (38% decrease)

There was \$130,000 added to the FY 2018 revised budget after receiving more funds for capital needs and that additional funding was removed from the FY 2019 budget.

8000 – Debt Service & Other Misc. Expenditures – increase of \$1,941,308 (30% increase)

This budget category includes debt service, miscellaneous expenditures, field trip transportation, and dues and fees. The debt service increase over FY 2018 is \$1,950,761 and the rest of the accounts are down slightly. The new debt service for Hall School is approximately \$2,129,438, the anticipated new debt service for FY 2019 CIP is \$228,000, and the increase in the Pension Bond is up \$100,000. Therefore, we dropped approximately \$500,000 in old debt service off the books for FY 2019 to get to the increased amount of \$1,950,761.

9000 – Other Expenses – increase of \$49,000 (29% increase)

The increase in these accounts is due to the increase in contingency from \$161,000 to \$175,000. The \$14,000 increase really is not an increase but a re-allocation of funds that were moved during the FY 2018 year. The true increase of \$35,000 is in Adult Education. This reflects a transfer out of the local Adult Education fund to Street Academy as the grant funding in that program is not enough to cover operating expenses.

Tax Impact

	FY2018	FY2019	Change	% Change
General Fund	81,456,771	89,042,741	7,585,970	9.3%
Adult Ed	1,297,914	1,700,352	402,438	35%
Food Service	33,236	47,166	13,930	41.9%
	82,787,921	90,790,259	8,002,338	9.7%

The tax levy of \$90.8M represents an increase of \$8M over FY2018, attributed to the increase in expenditures of \$7.6M and the decrease in non-tax revenues of \$400k. This would raise the overall school rate tax by \$0.99 for a total rate of \$11.60. Notwithstanding any changes to the City of Portland’s rate, this would represent an annual increase of \$238 to the average family home in Portland (valued at \$240,000), which equates to a little over \$20 per month.

STEPPING INTO THE GAP: THE CASE FOR PRESERVING THE PORTLAND PUBLIC SCHOOLS THROUGH INCREASED LOCAL CONTRIBUTION

As noted before, Portland Public Schools have been a large part of the resurgence of Portland as a city. The tax effort we are proposing is significant and we recognize it. However, it is what is required to maintain the quality of schooling that our community deserves and has come to expect.

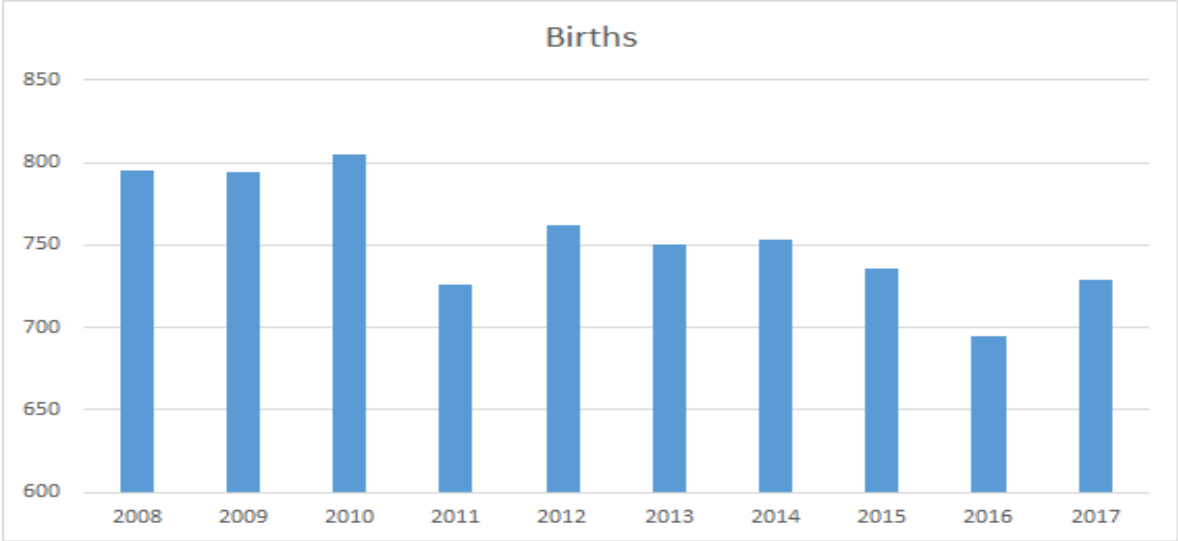
Student Enrollment in Portland Public Schools

There was a time, in the 1960's, when Portland Public Schools enrolled over 14,000 students. Those days are long gone. In 1994 enrollment inched below 8000 students. In 2004 it dropped below 7000 for the first time (6,937).

The past ten years show a mostly stable trend. In this period, Portland Public Schools enrollment has fluctuated between 7,000 and 6,700. Our October 2017 enrollment was 6,771. That is less than a 5% fluctuation in enrollment over that period of time.

Data from the City Clerk's office offers a similar picture (See Figure 7 below). Since 2013, births to Portland residents have fluctuated by less than 5% (with the exception of 2016).

Figure 7

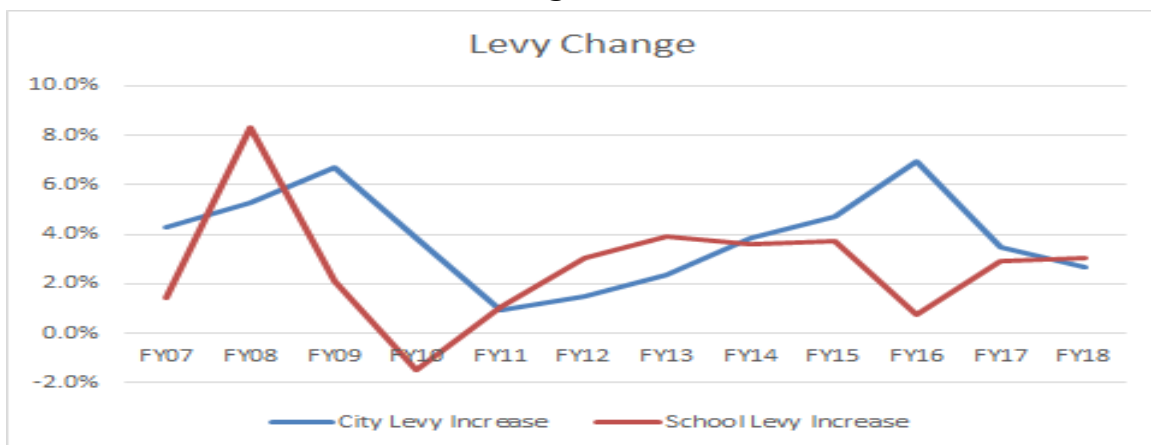


While there are those who believe that Portland Public Schools has too many schools, data suggests that all mainland elementary and middle schools in the district are within established thresholds (80% of capacity). There are few viable scenarios for school consolidation that do not involve massive disruptions to the established educational attendance boundaries.

Portland Public Schools spending comparisons

While this year's budget increase, and the required tax effort is significant, it is not unprecedented. Figure 8 shows that historically, Portland taxpayers have in the recent past supported an almost 7% tax rate increase for city services in 2009. In 2008, taxpayers supported a 8% increase in the tax rate for Portland Public Schools.

Figure 8



Since 2010, the school district has held the line on tax rate increases as shown on Figure 8. In this time frame, the largest tax rate increase was in 2013 for 3.9%. It should be noted that in 2010, the tax rate actually decreased by 1.5%.

The local tax effort required by local taxpayers compares favorably to many of the surrounding communities. Figure 9 below shows that the per pupil expenditure in general fund for Portland taxpayers is within normal thresholds compared to those communities. Our nine-year-spending increase is the second lowest of those comparison districts as seen in Figure 10.

Figure 9

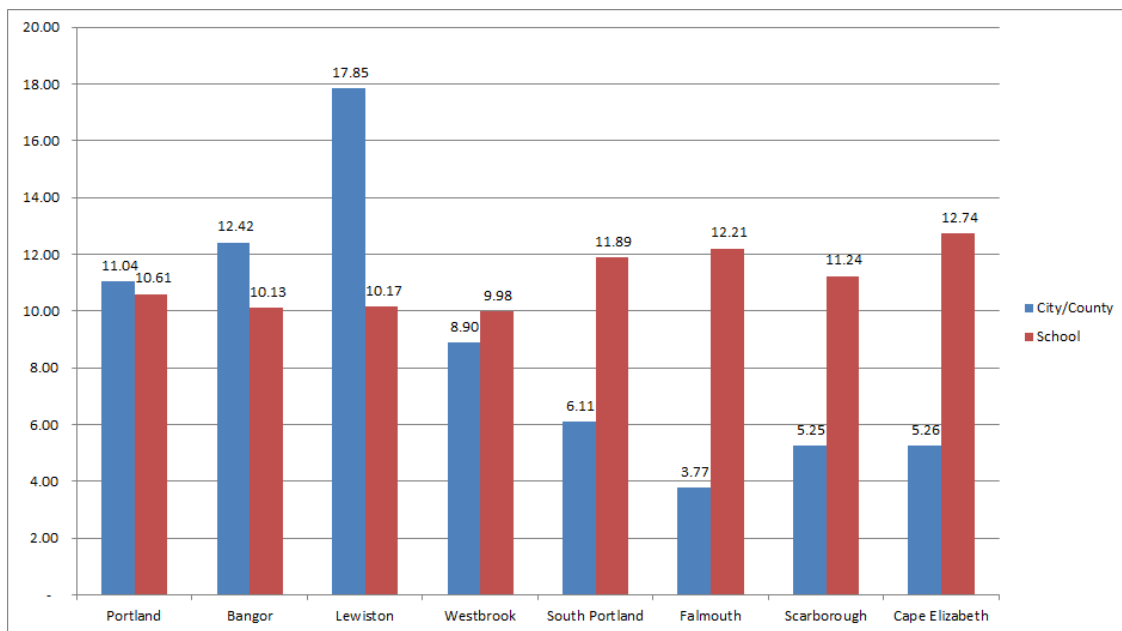
Community	Number of Students	Total Budget (2018)	% of Budget Paid for by State	Spending Per Pupil	Tax Rate (school only)
Falmouth	2,120	36,073,493	22.33%	17,016	\$12.21
South Portland	3,031	48,807,418	12.24%	16,103	\$11.89
Scarborough	2,966	47,563,168	4.52%	16,036	\$11.24
Cape Elizabeth	1,602	24,879,014	7.34%	15,530	\$12.74
Portland	6,740	99,569,444	14.15%	14,773	\$10.51
Westbrook	2,510	36,126,447	40.79%	14,393	\$9.98

Figure 10

Community	FY2010 Spending	FY2018 Budget	Increase	% Increase
Falmouth	24,325,789	35,794,615	11,468,826	47.15%
Scarborough	33,946,929	49,549,264	15,602,335	45.96%
South Portland	38,513,723	47,679,294	11,035,541	28.65%
Cape Elizabeth	19,435,938	24,879,014	5,443,076	28.01%
Portland	82,014,873	100,281,795	18,266,922	22.27%
Westbrook	31,648,776	36,126,447	4,477,671	14.15%

One must recognize that because of the larger demands on city services that result from being a “full service” city, the combined tax rates for city and school create a larger tax burden on Portland taxpayers, see figure 11. One should note that this is not unusual for larger municipalities in Maine; the same is true for Bangor and Lewiston).

Figure 11



A FUNDAMENTAL RE-CALIBRATION

Will we continue to support great schools and invest in making them even better?

or

Will we allow the degradation of the school system by failing to sustain the level of investment needed to maintain quality schools?

That is the fundamental question this budget poses for Portland leaders and taxpayers. Answering the first question in the affirmative requires a commitment to a fundamental recalibration of what we are willing to do to support our schools. As we have shown, this is not a passing episode caused by a “bad” state revenue year. Absent a major reconsideration of the assumptions that go into the state Educational Programs and Services (EPS) formula, Portland will continue to see decreased state contributions to educational funding. Thus, it is up to Portland’s taxpayers to step into the gap.

Communities across the country have faced this same question before. Will Portland become a commuter city where people come to work and play but do not live and send their children to school? Or will we stay true to the character that makes this city great and combine a vibrant economic and cultural community with a just as vibrant educational one?