

MEPRI Report on Policy and Practices for Funding Maine Public School Construction and Renovation



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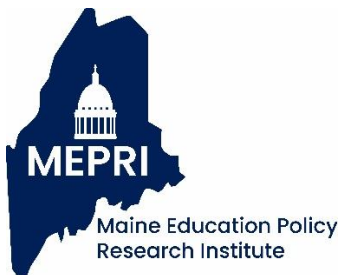
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Introduction

Given the significant, on-going challenges Maine has faced in maintaining PK-12 school facilities that meet the safety and learning needs of students and staff, the Maine State Legislature's Joint Standing Committee on Education and Cultural Affairs charged the Maine Education Policy Research Institute (MEPRI) with the task of summarizing where we are in terms of current state policy and practices for funding school facilities and other potential models that other states use to fund school construction. This report presents findings on those two topics with the goal of informing current discussions and policy decisions on school finance.

Background

Maine, like many other states in the US, has many aging school buildings for PK-12 education and insufficient fiscal resources to keep up with the need for renovations or replacements. With the growing number of school buildings needing attention, some school leaders and community members feel increased frustration over the long wait and uncertainty about whether their schools will ever make it to the top of the state's priority list for state-subsidized construction. Policymakers would also like to see students educated in up-to-date facilities with improved cost efficiency. Changing demographics in the state predict a continued decline in PK-12 enrollment, particularly in the northern and rural, remote areas of the state (State of Maine, Office of the State Economist, 2021). Fewer students mean a higher cost per pupil to keep a small school in operation. Some communities have consolidated schools or school districts with neighboring communities or are considering it currently. Other communities have resisted consolidation, even with the incentive of a new school building and reduced cost per student (e.g., Budion, 2022; Carter, 2024; Potila, 2021). Local taxpayers have shown a reluctance to approve increases in proposed school budgets, whether for facilities needs or other costs (Kobin, 2024; Walkup, 2024). The pressures to rethink how Maine funds school construction and renovation and allocates school space are coming from multiple factors: aging infrastructure, shrinking enrollment and limited fiscal resources.

In October 2024, Governor Janet Mills announced the creation of a statewide Commission on School Construction to make a comprehensive review of Maine's school construction finance model and provide policy recommendations that provide a fiscally responsible and equitable approach to fund public school construction (Governor's Office, Oct. 2024). The executive order expressed the larger goal of ensuring that "every child in Maine

should be able to attend a safe, modern, efficient and accessible public school, regardless of where they live.” The order acknowledged that even with a statewide investment of \$580 million since 2019 for school renovation and construction and debt service for construction loans, the state’s current facilities needs “far outpaces available funding.” The order states that the current funding model is inequitable due to its heavy reliance on local communities’ ability to raise tax revenue to fund projects. The Governor’s Commission convened in November 2024 with stakeholder representatives from the Maine Department of Education, the State Board of Education, municipal, business, finance and school district leaders (superintendents) with a report expected in April 2025 (MDOE, n.d. a). The most recent review of school construction finance in Maine was in 1997, nearly three decades ago (The Governor’s School Facilities Commission, 1998).

Methodology

To inform this report, MEPRI examined state policies and administrative rules related to school construction and funding and spoke to state and local policymakers engaged in this work. Statewide perspectives were shared by a member of the State Board of Education and staff within the Maine Department of Education working closely on school construction finance policy.

To hear from local district administrators, MEPRI conducted a one-hour focus group interview by Zoom with 45 district administrators, primarily superintendents, who were invited to participate through the Maine School Superintendents Association and Maine School Management Association. This group, representing about a quarter of all superintendents statewide, reflected a broad range of district sizes, configurations and locations in the state. Nearly all described recent or current experiences with seeking state funding for school construction or renovation, and various strategies they are using for maintaining their school buildings and improving efficiency in their districts. The interview was recorded, transcribed and analyzed to identify dominant themes in the views expressed.

We also examined state reports and data to identify trends over time in Maine school enrollments and number of school districts, and we reviewed news reports and national research reports to investigate other funding models for school construction across the US. Broadly, we examined the current state policies and practices for funding construction and renovation of school facilities and other potential funding models used in other states.

Findings

In the following sections, we present our analysis of data and trends in Maine school district organization, enrollment and per pupil costs, and make comparisons with other states. We then describe the policy landscape in Maine and nationally for funding public school construction and renovation. Finally, we discuss perceptions of the major challenges related to Maine's current funding approach and process for construction and renovation, along with ideas for improvements shared by district administrators.

School Organization, Demographics and Cost

Maine is a geographically large state but one of the least populated states ranking in 38th place with nearly 1.4 million people and 44 people per square mile (US Census Bureau, 2021). In other words, Maine is the twelfth least populated state. With many small rural communities, public schools tend to serve only one small community rather than several communities. These factors contribute to the relatively large number of districts and schools in Maine with low enrollments and small district configurations, compared to other states in the US, and result in lower cost efficiency.

Maine currently has a comparatively large number of school districts (277) and schools (597) considering its small population. While Maine is the twelfth least populated state, Maine ranks at 23rd place for the number of school districts and ranks at 42nd place for the number of schools compared with other states (NCESa, 2024). Compared with other states, Maine operates more schools per student on average with 3.4 schools per one thousand students compared to a national average of 2.0 schools per one thousand (NCESa, 2024).

In terms of number of schools per district, Maine ranks third among states with the fewest average number of schools per district (2.2 schools). By comparison, Alaska has an average of 9.2 schools per district, and the national average is 5.2 schools per district (NCESa, 2024).

Maine also has smaller district enrollment on average compared with other states. Based on 2022-23 data, Maine ranks fourth in terms of the smallest average district enrollment (628 students) compared with a national average of 2,578 students per district (NCESa, 2024).

School enrollment in Maine also tends to be lower on average than for other US states—even rural states with a low population density. The average number of students per Maine school hovered around 300 students from 1976 to 2020 (MDOE, 2021). In 2022-23, the national average number of students per school was 498 while Maine had an average of 298 students per school, ranking eighth among the states with the least students per school (NCESa, 2024). Other

states with fewer than 300 students per school are western states with population densities of only 1.3 to 11.7 people per square mile and Vermont. The average school enrollment in these very low-density population states was not much lower than in Maine. Wyoming with a population density of 5.9 people per square mile and one “large city,” Cheyenne (population 65,000), averaged 256 students per school. Oregon, with a similar population density as Maine at 44.1 people per square mile, has an average school enrollment of 430 students (NCESa, 2024; US Census, 2021, US Census, 2024).

Another indicator of school enrollment and cost efficiency is the pupil to teacher ratio. Not only does Maine have small schools with very low enrollment, but class size is also very small in some schools, resulting in higher costs. Maine has the third lowest average pupil-to-teacher ratio in the country (11.4 students per teacher). By contrast, the national pupil-to-teacher ratio is 15.4 (NCESa, 2024).

The demographic trends we’ve described for Maine—numerous small districts and small schools with low enrollment and smaller class size—all result in higher per pupil costs to provide and operate school buildings, staff more classrooms and provide school administrators. The most recent state-level data on per pupil expenditure showed Maine had the tenth highest average per pupil expenditure of \$23,164 compared to the national average of \$17,495 (NCESb, 2024). Data from 2000 showed the same small district and school size patterns that continued in the 2022-23 data (Trostel, 2003).

Table 1. Comparison of District Size, School Size, and Costs

	2000		2022	
	Number	Rank	Number	Rank
Students per District				
National	3210		2578	
Maine	754	6	628	4
Schools per District				
National			5.2	
Maine			2.2	3
Students per School				
National	546		498	
Maine	304	7	298	11
Student to teacher Ratio				
National			15.4	
Maine			11.4	3
Expenditures per Student				

National	\$11,653*		\$17,495	
Maine	\$12,997*	37	\$23,164	40

Created with data from Trostel 2003, NCEsa 2024, NCEsb 2024

All rankings shown from low to high

* Adjusted for inflation

An independent economic analysis using 2000-2001 Maine school district expenditures found that the optimum district size from a cost efficiency standpoint would be closer to the national average. Using data from a group of districts that considered consolidation in 2000, a 10% reduction in student expenditures was forecast if they consolidated (Trostel, 2003). In both 2000 and 2022, Maine spent more than most states per student on average. Maine’s average per pupil expenditure growth was also faster than the national average. The NCES expenditure data from 1999-2000 showed Maine spent on average \$8,247 per student. Adjusting for inflation, this is equivalent to \$12,997 in 2021, which is just over half of the \$23,164 Maine spent on average per pupil in 2020-21. The inflation adjusted gap between the national average per pupil spending and Maine’s per pupil spending increased from \$1,344 in 2000 to \$5,669 in 2022 (NCEsb, 2024; U.S. Bureau of Labor, 2024).

Neighboring New England states, New Hampshire and Vermont also have many small districts, small schools, low student teacher ratios and higher than average per pupil expenditures (NCEsa, 2024; NCEsb, 2024). As the cost of education rises, these states are grappling with similar issues as Maine. It’s been estimated that if Vermont were to lower the cost of education per pupil by \$7,000 they would save \$659 million annually (Woolf, 2020). The low student to teacher ratios in Vermont result in schools with 50% more teachers than comparable schools nationwide. Vermont has created incentives for districts to consolidate, but policy experts feel reducing the number of teachers and staff per student will be necessary to bring the per pupil expenditures down (Woolf, 2020). The same calculations can be made for Maine. Reducing Maine’s average per student expenditure by \$5,000, down to the national average, would result in cost savings of \$869 million every year. For an average-sized school in Maine, there are an average of 26 teachers for 300 students. If Maine’s pupil-to-teacher ratio was at the national average of 15.4 instead of the current 11.4, there would be seven fewer teachers for this average-sized school.

Prior Efforts to Improve Efficiency through Consolidation

Maine policymakers have made efforts to reduce the number of schools and districts in the past for the purpose of improving both fiscal efficiency and the quality of educational opportunities. Some districts voluntarily consolidated schools in the 1950s, and state policymakers passed the Sinclair Act in 1957 (Maine State Legislature, 1957) to encourage further consolidation through fiscal incentives. That legislation did help to create regional secondary schools and the “school administrative unit” structure still used widely in the state, but the number of schools, districts and administrators still increased steadily from 1950 through 1970, and the number of administrators increased most rapidly after 1970 despite a smaller student-to-administrator ratio (Donaldson, 2006, 2007). A state-wide school district consolidation effort initiated in 2007 (Maine State Legislature, 2007) by then Governor John Baldacci within the context of a reduced education budget combined both fiscal incentives and sanctions to mandate district consolidation statewide for most school districts, with the goal of reducing the number of school districts from 290 to 80 and creating districts with a minimum of 2,500 students. This wave of consolidation created many “regional school units” but had only limited and short-lived success, as the sanctions were later repealed as of 2012 and many communities chose to leave their regional partnerships. Five years after the policy mandating consolidation, Maine had 164 districts (Fairman & Donis-Keller, 2012) and today has 277 districts (NCESa).

Ten years ago, under former Governor Paul LaPage, the state offered mini-grants through the EMBRACE program which included a financial incentive to encourage regionalization through cross-district partnerships. Districts formed twelve centers that allowed them to collaborate in managing functions and services such as accounting, alternative education, facilities maintenance and staff training (MDOE, 2018; Maine State Legislature, 2019). Grants were made available for districts to coordinate services. Uses of these grants included improving STEM and arts programming, special education services, starting alternative education programs, vocational education, professional development, creating shared administrative services, and a centrally located bus maintenance garage (Cousins & Shepherd, 2017; McCrea 2018).

For twenty years, the idea of a combined secondary and post-secondary campus has been considered. In 2006, a group in the Rockland area received a grant from the Maine Department

of Education to study the feasibility of a high school, vocational school, community college and marine trade center. After many delays, the project was abandoned in 2014 (Betts, 2014). Funds were made available under Administrative Rule Chapter 61 in 2017 for the Integrated, Consolidated 9-16 Education Facility, a combined high school and post-secondary school. There were three finalist groups (McCrea, 2017; MDOE, 1978) No districts have used this fund due to their inability to reach agreement on decisions related to a shared governance structure and site location for new facilities (Potila, 2021).

Declining School Enrollment in Maine

As a rural state, Maine's public school enrollment has declined in recent decades and is projected to decline even more as the state continues to age demographically with fewer births and children of age to attend school. Even with increased numbers of four-year-olds attending public preschools in Maine in the past decade, total enrollment is still declining (MDOE, 2021). A report by the Maine Department of Education to the state legislature in Feb. 2021 cited a 20% decline in total Maine public school enrollment from 215,000 students in 1991 to 180,000 in 2020 (MDOE, 2021). Enrollment is expected to continue to decline as the number of children 19 years and younger is expected to decrease by 12% between 2018 and 2028 (State of Maine, Office of the State Economist, 2021).

In combination, the larger number of school buildings to maintain statewide along with small and declining enrollments pose a serious problem of fiscal inefficiency and an overall structure for delivering PK-12 education that is unsustainable.

Maine School Construction and Renovation Policy

The most active period of public school construction in Maine occurred in the 1950s and 1960s, with over 120 schools built in each of those periods. Fewer schools were built in subsequent decades and declined dramatically in the 2010s (MDOE, 2021). Given the data available, we know that many school buildings in use in Maine today are 60-80 years old, and some are older, illustrating the high need for facilities upgrades or replacement across the state. Maine's policies governing public school construction, renovation and financing are outlined through legislative statutes and administrative rule chapters, which we describe briefly here.

New School Construction

State statute on public school construction (MRSA Title 20-A, Chpt. 609) outlines the process for obtaining approval of proposed public school construction projects whether state-funded or not, school efficiency standards, the development of a school facilities inventory (to be

updated and reported separately by MEPRI this month), maintenance and inspection requirements and assistance for facilities improvement (Maine State Legislature, 1981). Departmental administrative rules also provide guidance on school construction.

Administrative rules outline how the state statute on school construction and funding shall be implemented. Administrative Rule Chapter 60 (MDOE, 2001) describes the role of the State Board of Education in reviewing school district requests for site approval for proposed new public school construction. Among other factors, the rule requires the State Board to consider a “comprehensive enrollment analysis for the school administrative unit” making the proposal, and an analysis of costs and benefits for renovation versus new construction.

Administrative Rule Chapter 61 (MDOE, 1978) describes the “conditions under which the State will subsidize major capital school construction projects” and the process for application and approval of projects and state funding for projects. School districts seeking state subsidy for new school construction or renovation must apply and provide the necessary documentation to the Maine Department of Education, with final approval by the State Board of Education. The Maine Department of Education develops a priority list of proposed projects using a rating system assessing facility needs. The State Board of Education approves the final priority list and individual projects resulting in a list of approved projects. The state funds projects with the highest priority within the limits of available funding and the specified cap on debt service. Rule 61 outlines two categories for school construction projects: major new capital construction and emergency projects.

The department’s school construction rating system awards points within the three broad categories of: 1) building and grounds, 2) school population, and 3) program and planning. The first category outlines criteria related to unsafe conditions with the physical school plant, the extent to which the existing building no longer serves the programmatic (instructional and non-instructional) needs of students including handicap accessibility, and any deficiencies in school building mechanical systems such as heating, ventilation, plumbing or electrical systems. The second rating category considers both current and projected school enrollment, any evidence of overcrowding and limitations on programming due to enrollment. The third rating category looks at the adequacy of the school building to provide an adequate and comprehensive educational program to students across the content areas, consistent with the state’s educational standards. Some school districts have seen an increased need for space to provide student support services.

Other construction projects in recent years have addressed technology infrastructure needs, athletic and fitness space needs and other priorities. The state has also made it a priority to improve energy efficiency and work toward carbon neutral goals in school construction (MDOE, 2021).

Prior to this year, the most recent priority list was developed in the 2017-18 school year and had 74 projects listed, nine of which were approved over the three-year period of Oct. 2019-Dec. 2023 (MDOE, n.d. b.). Some of the schools replaced were over 60 years old and two were over 100 years old. Over the past 30 years, over 175 school buildings have had facilities needs addressed based on their priority ranking (MDOE, 2021). This school year (2024-25), a team working through the Maine Department of Education is conducting the required site visits and rating facilities needs based on the specified criteria in Chapter 61, for 96 project applications from school districts. Based on the ratings, a priority list will be established for proposed project approval. Top-ranked projects are generally approved for full state funding as major capital construction, but also subject to local voter approval. For some projects on the approved list, priority needs might be addressed through renovation rather than new construction, based on further study.

The cost for school construction has risen substantially in the past three decades. For example, the Brunswick High School project in 1992 had a cost of \$19 million, Hampden Academy cost \$54 million in 2008, and the Edward Little High School/ Satellite Career and Technical Education Center cost \$120 million in 2019 (MDOE, 2021). The cost of integrating general and technical secondary education in one building project is higher than building only a single-purpose school, but generally costs less than building two separate facilities and may save transportation costs for that school district as well. When projects are approved, the Maine Department of Education works with the school district to assess if there are opportunities for consolidation of schools within the district or with other neighboring districts to further economize on construction costs in the future.

Within Chapter 61 are criteria for determining if a high school with an enrollment under 300 students can provide an “adequate education program.” The state considers factors such as the professional qualifications of faculty, graduate rates, state assessment results, operational costs and other data. One could certainly question whether a higher enrollment level should be specified in the rule to trigger such a review of educational adequacy. While Maine has

traditionally maintained small community high schools, expectations for what it means to be prepared for college or employment beyond grade 12 in the 21st century have changed in recent decades and have implications for the staffing, programming, space and instructional equipment in our high schools. At some point, secondary schools become too small to provide the staffing expertise, educational opportunities and facilities/ equipment to support an adequate education to meet today's standards.

For school districts applying for state funding for school construction, the State Board of Education must first approve the site selected and then approve the project concept (Site approval is outlined in Chapter 60.) Before a school district obtains funding approval for the project by the State Board, they must first show approval by local voters for the project. After State Board approval, the Commissioner provides final approval for state funded projects. Rules related to how construction funds shall be invested and allocated are also outlined in Chapter 61.

School Renovation

Administrative Rule Chapter 64 describes rules related to the School Revolving Renovation Fund, facility maintenance and capital improvement plans, the state's finance program and the lease of temporary or permanent school space (MDOE, 1998). The rule specifies that each school district must have a plan for facilities maintenance and improvement. For example, districts must anticipate and plan for maintenance and replacement of major systems in their facilities such as heating, plumbing, roof and other systems. Failure to adequately maintain school buildings may contribute to their decline, reducing the length of service for schools and creating unsafe conditions. In the December 2024 meeting of the Governor's Commission on School Construction, a representative of ECS recommended that school districts budget a minimum of 7% for maintenance and operating costs. The Leased Space program provides state subsidies for eligible projects for costs up to \$8 per square foot for a maximum of five years. The Maine Department of Education has reported that the total amount of funding spent on state approved leases declined dramatically from a high of \$6,763,824 in fiscal year 2003 to \$80,008 in 2013, and then rose slightly after that to a total of \$193,068 in 2021 (MDOE, 2021; MDOE, n.d. c).

The School Revolving Renovation Loan Fund (SRRF) was created to provide loans for school renovation projects to improve "safe, healthy, efficient and adequate school facilities" to deliver an educational program. School districts seeking to use the fund must apply to the Maine

Department of Education and receive approval. The Department has established five priority levels for approval. These include: Priority 1) health, safety and compliance repairs including compliance with the federal Americans with Disabilities Act requirements; 2) repairs and improvements not related to health, safety and compliance; 3) repairs and improvements related to energy and water conservation; 4) upgrades of learning spaces in school buildings; and 5) other repairs or projects approved by the Commissioner. Some examples of eligible projects include: air quality improvements, roof repair or replacement, asbestos removal, ADA compliance and learning space upgrades (MDOE, n.d. d).

Projects are approved based on their priority subject to the availability of funds. School districts apply to the Maine Department of Education with required supporting materials. Engineering studies and an analysis comparing renovation versus new construction are required. The Department uses a rating system to determine the level of priority. There are two categories of projects—emergency and non-emergency. The rating system for priority 1 and 2 levels considers the percentage of students impacted by the identified facilities problems, severity of the problems, code violations and other factors. A Bureau of General Services also reviews project applications. Projects approved by the Bureau may be eligible for funding from a financing authority or bank. The Department approves the list of district renovation projects and updates it annually for submission to the financing authority or bank.

Financing Projects

Once the Maine Department of Education and State Board of Education approve a project and determine the priority ranking, the school district may apply to the Maine Municipal Bond Bank or another bank of their choice for financing. A majority of districts do use the Maine Municipal Bond Bank for their capital improvement loans. The Maine Municipal Bond Bank was created in 1971 by the state legislature as an independent agency to provide and oversee financial services and programs for municipalities (MMBB, n.d.). The agency handles the loans for approved new school construction and the School Revolving Renovation Fund (SRRF) for school facility renovation projects, as well as funding for other major municipal infrastructure projects, through the sale of tax-exempt bonds. Where the state provides either partial or full funding for new construction, sufficient funding must be budgeted for both principal and interest payments on the construction loan. There is no current cap on the cost of proposed new school construction.

When a school district funds construction through the sale of bonds, the school district holds the bonds. If there is state funding for the project, the state either pays the district in advance or sends the payment directly to the bank for the state's share of principal and interest known as "debt service." Debt service is added to a school district's regular state subsidy for education through the Essential Programs and Services (EPS) funding formula. That formula determines what the local share will be if any toward a construction project. Repayment of capital project loans typically spans a period of 20 years. State statute (MRS Title 20-A, Chpt. 609 §15905) specifies the maximum total allowed for major capital debt service each year across all state subsidized construction projects (Maine State Legislature, 1981). That cap has increased steadily and substantially over time—by 204% from a low of \$48 million in 1991 to the current \$150 million set in 2023 (MDOE, 2021). The cap on total debt service for the state effectively limits the number of high priority projects that can be approved to move forward in any given year. Interest paid on debt increases the total cost for school construction. The current interest rate is five percent. The time span for obtaining approval on all aspects of a proposed school construction project, including the date to begin selling bonds, may span five years or more, during which time problems with the school facilities may worsen.

The SRRF was created in 1988 by the state legislature to provide interest-free loans and partial loan forgiveness to school districts meeting the eligibility criteria and approval, based on the health, safety and compliance requirements outlined in the section above. Funding for this program comes from legislative appropriations, state issued bonds, interest earned from fund investment, repayments on loans and audit recoveries. The largest state appropriations recently occurred in fiscal years 2000, 2001 and 2020 and were in the range of \$18-27 million (MDOE, 2021). In fiscal year 2020, over 100 projects were funded through the SRRF, while previous years saw as few as no projects or under 20 projects in some years (MDOE, 2021). Most of the funded projects were rated at priority level 1, with a few projects funded at priority levels 2 or 4.

Under the SRRF program, the loan forgiveness rate is based on the school district's state share percentage of debt service and may range from 30%-70% of the loan. School districts typically pay back the remaining portion they are responsible for within five to ten years at a zero percent interest rate. The maximum total loan allowed from the School Revolving Renovation Loan Fund for school repair, renovations or improvement projects is \$8 million. School districts may choose to fully fund their construction or renovation projects if they don't

want to wait for state priority approval and funding, or they may partially finance their projects through locally-raised funding. As loans are repaid into the SRRF, funding becomes available to support other approved projects.

Challenges with School Construction and Renovation

A number of challenges related to Maine’s current approach to funding public school facility construction and renovation have been hinted at in the sections above describing the policy and practice. In talking with state and local policymakers and Maine Department of Education staff for this report, we asked general questions about what is working well or not with the current funding approach and their ideas for improvements. We heard a few dominant themes related to the biggest challenges repeated across these conversations, which we summarize here. Ideas for how to change Maine’s funding policy are summarized later in the report. In some of the quotes, we omitted certain words in superintendents’ comments to avoid potentially identifying specific districts.

Large Number of Aging School Facilities in Maine

As we described earlier in this report, Maine has a large number of school buildings and a large portion of those were built in the 1950s and 1960s, while some were built decades earlier. Many of these older buildings are not meeting the current safety requirements nor the educational and support services needs of students. As the state can only afford to approve one or a few projects from the priority list each year for state subsidized construction or renovation, other schools on the priority list continue to fall into further disrepair or problems worsen, and additional schools across the state begin to face similar high priority needs. Nationally, other states face similar challenges with aging school buildings that need renovation or replacement to provide safe and adequate learning space for children (Filardo, 2021).

In the focus group interview, district administrators shared their growing concerns about the challenges related to aging school buildings, in terms of being able to provide an adequate education and specific services for special education, keep up with a growing list of maintenance issues, and meet current building code standards. Some of the districts have applied once or twice in the past for state funding to build new schools, but have not ranked at the top of the state’s priority list to receive state funding.

If you think about science labs being built in [1960s], they don't even closely meet what is needed now. As well as the special ed pieces, are just overwhelming. A building built in [1960s] certainly doesn't have the capacity or the space to take care of those needs.

I've got three really old buildings, and if we don't score high enough on the list, which I'm skeptical that we're going to, to receive a new school, then we have to decide. Am I going to ask our community to invest a lot of money to reconfigure our schools? To invest in this [1940s era] high school? To decide whether or not to consolidate our buildings? Because we know we don't need the amount of square footage that we have. . . We're kind of waiting, and I just don't see a good solution for us moving forward, because it's really throwing good money after bad, reinvesting in this building.

Insufficient Funding Available to Meet the High Need

Given Maine's reliance on local property tax revenue and the sale of bonds to fund school construction and renovation, there is insufficient funding statewide to meet the actual school facilities needs. Typically, only one or two projects from the approved priority list are approved to move forward each year, because of limited state funding and the statutory cap on the state's total debt service on school construction loans. The choice to fund capital improvement projects through loans or the sale of bonds also means that interest payments add to the total cost of a project. The result is that the state spends more for individual projects and has less to spread across projects, and districts also end up spending more to address fewer needs.

In the focus group discussion, district administrators emphasized the challenge of Maine not having enough funding statewide to address the growing number of facilities needs. In some cases, their districts chose not to apply for state funding, as they anticipated they would not rise to the top of the state's priority list and would not get state funding. Some districts could not wait for many years for state assistance and decided to address their facilities needs on their own, typically for pressing renovation or expansion needs. Administrators noted that there are many more schools in the state with important facilities needs beyond the 96 that have applied for state assistance in the current facilities review process. They shared these representative comments:

The sustainability factor is a real concern. We can't really plan and project because there's no funds locally to do things like repair roofs and doorways and classrooms.

There are districts who have needs, who did not submit applications. So it's a much larger challenge than what that rating cycle process might reflect.

I don't think the [state's priority] list is fundamentally flawed. I think it's the cash flow problem. And again, the time in which to seal the deal seems just really fundamentally flawed for me.

Additional Costs to Plan Capital Improvement

Administrators also described the challenge of budgeting sufficient funds locally to cover other required costs associated with construction and renovation planning. There are many costly and time-consuming steps districts must first navigate prior to gaining approval for capital improvement projects. These include selecting a construction site (which may not be easy to agree on when more than one community is involved), paying for professional studies and engineering reports on traffic or environmental impacts and facility assessments. Administrators felt some state assistance with these costs is needed.

I think we have close to \$30 million dollars in soft costs, engineering costs, and other things that are going into this project. . . . So for what I'm paying in costs that we actually won't realize in a construction, I think we could have built a school.

Beyond the additional financial costs that local districts have shouldered to fund all aspects of the required planning process for capital improvement projects, there is also a cost to the district in terms of time demanded to work on planning and managing these projects. Superintendents agreed in the focus group that there is a significant impact on their own professional time and workload over several years, making a tough job even more demanding. One superintendent observed, “that might be part of the reason that we get so many delays and things, because we're also trying to do our other jobs at the same time.”

Rising Cost of Construction

There has been high attention and awareness of the increased construction costs for homes and other construction projects since the COVID-19 pandemic. Many of these costs have not declined, even though transportation delays have lessened post-pandemic. Delaying a school construction project over time, even by a few years, means higher costs when it is eventually started, and costs can rise unexpectedly during a project. The rising cost of construction materials and labor have contributed to higher total costs for building and renovating schools, and is one reason why the state’s limited funding resources cannot accommodate many projects each year, meaning more projects continue to wait for approval.

Administrators described the significantly higher costs they face in building a new school or wing within the past decade or two. For example, one district administrator noted a new high school built 20 years ago cost \$71 per square foot to construct, but a new school they are currently building will cost \$431 per square foot.

I think the challenge is just going be, moving forward, like many of you said, is just how do you actually afford this actual construction piece? Because the cost is just going to continue to rise.

To me the challenge is that the need is so great in our state. The amount of money that a project costs now it has become so great. . . . now that the pot is small or the cost is so high, we can't even come close to keeping up to the pace of the need in the state, and the fact that so much of the money—it's all bonded—so we're paying double, if not more, because of interest.

Cap on Debt Service

The debt service ceiling has been increased over time, but is still a constraint on moving state-subsidized projects forward each year. With a current annual cap on debt service set at \$150 million and the cost of a new school in the region of \$100 million or substantially more, it is clear why few projects on the priority list can move forward each year. Some of the district administrators participating in the focus group voiced the view that the debt ceiling is an obstacle that prevents the state from approving more than one or a few projects each year.

The debt ceiling is haunting, given the increases of the cost of construction. So that's been static for about a decade, and I think that is extremely prohibitive in terms of working through the volume that we're seeing in terms of the number of schools going through that rating cycle or application process.

Long Timeline to Address Facilities Problems

Maine districts seeking state assistance can wait several years or even decades before their project comes up to the top of the state's priority list, and sometimes never make it to the top. For the projects that are successful in reaching the top of the priority list, district administrators described the frustration of having to wait several more years—roughly ten years—to actually begin the project, because of all the required steps in the process. As administrators pointed out, the timeline for starting or completing a project is much longer than the terms of employment for superintendents or school board membership, creating a challenge for successive district leaders.

Having gone through the process now, we're seven years in, and we physically haven't started construction. We've broken ground on site, but we haven't put a single piece of concrete in the ground and haven't built anything. And so, from submitting the application to actually opening a building is going to be 11 years from even being approved on the list.

[My community] always thought about being on the list, but they never went through that process, recognizing that they would probably be on the bottom. And why go through it and wait and wait and wait as your buildings deteriorate. And then it just ends up, you know, having the town to do it.

I think that there's a fundamental mismatch with that construction timeline and your average superintendent tenure, and your board, and you know. So for me, it's money and speed with which to get something done.

When a school experiences an emergency shutdown such as a fire, there is no provision to expedite rebuilding. One Maine elementary school that was lost to fire in 2021 is hoping to be approved for construction in this review process and have a school in 2029 (Bouchard, 2024).

Deferred Maintenance

While Maine's school facility policy does require districts to have a plan for maintenance for each school building, there is no specific requirement for what to budget for maintenance. School districts facing budget constraints may not be putting money toward updating and maintaining their buildings. Voters have rejected budgets that included funding for deferred maintenance (Cohen, 2024; Kobin, 2024). In 2024, two schools in Maine were abruptly shut down during the school year when they were deemed unsuitable for children. Other students are attending schools with leaking roofs (Walkup, 2024). Several schools have been supplying bottled water to their students for the past several years while they wait until a suitable water filtration system can be installed (Tomaselli, 2024). There may be hesitation to upgrade buildings that may be high on the school construction funding list. Superintendents noted that upgrades are not to be counted against a school that is applying for school construction funds, but acknowledged that this is hard to do. Schools that were ranked high on the 2017 list are expecting to rank higher on the forthcoming list (Bouchard, 2024; Duggan, 2021).

The declining condition of school buildings is getting urgent attention in some states. In 2020, the United States General Accountability office found that over half of school districts had buildings in need of updating due to HVAC, lighting, roofing, security and structural integrity issues (USGAO, 2020). Similar findings were seen in a California study that found 38% of the state's students go to schools that do not meet minimum facility standards. In a three-year period, over a hundred California schools had to temporarily shut down due to poor facility conditions involving water pipes, heating systems or mold. Other California schools are not accessible to persons with disabilities (Gao & LaFortune, 2020).

Equity Concerns

Maine's school funding model has traditionally placed a strong reliance on local funding and a community's ability to pay for education and school construction. Given the differences in tax bases and income levels across Maine's rural and urban communities, there are substantial differences in the level of funding raised locally and ability to fund education programs and buildings. This issue of equity in funding is relevant for many states that also rely on local funding of school facilities. Nationally, investment in maintenance and operations as well as capital construction or renovation of school facilities tends to be lower for districts serving lower income communities and students of color (Filardo, 2021). In Maine, the state considers a district's state subsidy level in determining the level of loan forgiveness for approved projects participating in the School Revolving Renovation Loan Fund (SRRF). For districts seeking state funding assistance with new school construction, the local share allocated to each community is calculated through the state's Essential Programs and Services (EPS) education funding formula, which considers a community's ability to raise revenue and the mill rate cap.

Some communities may have higher local tax revenue and may be able to move forward on school construction on their own without state assistance, but many school districts cannot afford to build a school on their own given that many are located in small rural communities that lack a strong commercial tax base to help fund schools. District administrators in the focus group acknowledge that communities have different levels of funding needs, and supported the idea of a more holistic, statewide plan to re-envision Maine's funding approach for school facilities.

Demographic Decline in Maine Youth

Maine is an aging state demographically. The state's birth rate and influx of new citizens or immigrants moving into the state are not off-setting the growing number of older Maine residents. The demographic decline is more pronounced in northern and rural, remote regions of the state. In the past two decades, Maine schools have seen a decline in K-12 enrollment, and these smaller enrollments have also resulted in fewer 18-year-olds enrolling in Maine colleges and universities. One benefit of declining enrollment in elementary schools is that space is freed up to accommodate other educational needs, such as PreK programs or student services, but that space may need renovation. Shrinking enrollment in schools also means that these facilities are not being used to capacity in some cases, resulting in a higher cost per pupil. When the student-to-teacher ratios fall below the level established through the EPS funding formula, local communities must pick up the difference in cost.

In the focus group, many administrators noted that their enrollment has been declining, resulting in under-used school buildings that result in higher costs overall. In some cases, those buildings may not be sufficiently large enough or in good repair to enable the district to merge school populations into fewer buildings. In other cases, administrators said they can solve some of their current needs through school consolidation. Overall, administrators said they would prefer to consolidate schools within their district, add a wing or repair existing buildings, rather than build much more costly new buildings, particularly when they anticipate further decline in enrollment.

So we're in the place of not only a renovation, but we're also going to need an addition, and it will be expensive. But nothing compared to building these new schools.

We had a school that was [in the bottom third] on the [state's priority] list last time that if replaced, new would have been \$35 to 40 million dollars. And we couldn't wait around on it. And we were able to add a wing onto one of our other schools for around \$9 million. . . what would have been great is if the locals and the state could have split something and done some minor upgrades on the other part of the building, such as bathrooms, windows, you know, kind of prolong the life of things. That's a solution that we could have if a community just continued to like, wait for a new school. But it made no sense to spend \$30 to \$40 million dollars when you can just add a wing for \$9 million.

Slow Acceptance of School Consolidation within District

The approach of consolidating schools involves the difficult task of convincing residents to close a community school. District administrators agreed that Maine residents place a high value on having a local community school and feel their school is central to the community's shared identity (Fairman & Donis-Keller, 2012). While some people may recognize their school enrollment is diminishing and the school building is no longer serving students' needs well, they have a strong emotional attachment to their local school that is hard to overcome. Some districts are able to consolidate school populations using existing facilities, while others need some renovation or expansion to existing facilities to be able to combine schools. But they generally face stiff opposition from residents over closing a school. Where facilities have aged out and districts seek to consolidate with a new school building, administrators also find it difficult to convince communities to agree on sharing a school building.

Even though we're looking at creating a consolidated [grade] 7-8 middle school, we're utilizing the existing buildings. The hardest part is a recognition that if you were to close a building, then, you know, the heart of the community is gone. And so that's a big issue for us.

Just even having that conversation within a district. Especially after years of saying that we wouldn't close a school. And then, all of a sudden, the state funding formula is actually forcing us to have the conversation, to say, we're going to open a new building, but guess what, [both communities] you're going to pay for it as well.

We have four very old elementary schools . . . And we've got shrinking enrollments at all four of the elementary schools. So we're really looking at could we get a consolidated school? We're looking for a new school.

We're getting to this point where people are realizing that you can't continue to have these independent schools, community schools, because taxes are going up, costs are going up. And again, it's about the whole economy of scale kind of thing. So . . . I will do well to be able to get my four small communities to agree to consolidation just based on the history that's within this district.

It's a wonderful gift from the Department of Education to have this money to build new schools. What I'm struggling with is the community—some of the community reactions to consolidation—that is our biggest obstacle, and my fear is that we may have some people in the community that seek to undermine the projects because they don't want to lose their small community schools. We've done a ton of community engagement. We've done surveys. We've surveyed and surveyed. I think most people understand it's the right thing to do.

We actually have one town that's looking to leave because of our consolidation plan, and they're investigating the withdrawal process because their community identity is much more important than our district. And they also don't want to pay increasing costs. I think we all know that they're going to spend a lot of money to withdraw if they do it, and it's not going to save them any money.

Reluctance to Increase Local Taxes

Local voters in Maine have often voted down their school budgets when there is a proposed increase. Given the economic challenge currently facing many families, and the substantial price tag for capital construction or renovation projects, district leaders in many places are finding it even harder to convince residents to pay for the cost to maintain or renovate buildings. Often, the budget for maintenance is reduced and deferred maintenance leads to higher costs eventually. Sometimes a school renovation or construction project is approved by the state to move forward, but local voters don't approve the selling of bonds to fund the project.

You know, people don't want to accept that budgets are going up. If we need to maintain our buildings, we have to pay for them at the local cost. So we're in this really tough situation where people don't want us to consolidate to save money, and they also don't want to spend money on the facilities that they have. They want everything without having to pay for it.

Reluctance to Partner Across Districts

As we described earlier, Maine has attempted to encourage more consolidation of schools and districts through periodic waves of policymaking that often included financial incentives. While some communities and school districts have merged schools or district administration, or collaborate in other ways such as through shared busing or supply contracts (Fairman & Donis-Keller, 2012), many communities in Maine strongly resist collaborating across districts to build new schools or share school facilities. There are many reasons for this reluctance to give up a local school. Many people see the local school as an important element to the community's identity, a place for community events, or don't want students to have a longer bus ride. Communities also have fierce allegiance to their own sports teams, and rivalries between neighboring communities around sports teams have a long tradition in Maine (Fairman & Donis-Keller, 2012).

Recently there has been a shift in attitudes towards combining sports teams and extracurricular activities with neighboring districts. Declining participation rates as well as declining school enrollments have led to the creation of combined sports teams. In the 2024 season, more than a half of the small schools in 11-man and 8-man football played on teams with players from two or more schools (Maine Principals Association, 2025). While combined teams are more common in northern Maine, southern Maine and Portland schools have discussed combined teams in football and hockey (Craig, 2019; Lazarczyk, 2022). The increase in club and travel teams composed of students from several schools over the past decade also shows parents' willingness to provide better athletic opportunities for their children even when it entails increased travel. In addition to combining extracurricular activities, some high school students travel from their home high schools to regional CTE centers.

At some point, it becomes economically less feasible to keep schools open with declining enrollments and higher per pupil cost to operate those schools. Partnering with neighboring districts that are experiencing similar demographic and financial challenges would provide opportunities to build schools for the 21st century for students at lower cost. Yet communities have frequently voted down proposals for these kinds of partnerships, to maintain their local community schools and identity. In the focus group, district administrators attested that the experience of mandated district consolidation in Maine more than 15 years ago has left communities and school boards with a lingering distaste for that kind of consolidation, even when faced with declining enrollment and rising per pupil costs.

I don't see our community in our area having any interest in having conversations about consolidating with each other. With the exception of maybe some CDS services and pre-K services. . . . We're still fighting some of the consolidation battles 15 years later, and I can't imagine right now going through again consolidating districts together. My board just wouldn't have the taste for it after what they've been through.

It's not a geography issue, with the other school districts. It's really more, as some people had said in the comments, like an emotional issue. An attachment that the members of these small communities have to their own schools. . . . the small communities that are within ten miles—there are three or four that I can think of right off the top of my head—it's an attachment that they have. It's the centerpiece of their community. And there's just no interest whatsoever [in consolidation across districts].

Maine's Approach to School Construction Funding

Maine is one of only ten states (primarily New England states) that provide more than 50% of school construction funding for approved projects from the top of the priority list. Other states include New York, New Hampshire, Rhode Island, Massachusetts, Connecticut, Delaware, Wyoming and Alaska (ECS, 2023a, b). By contrast, some other states have a minimum local contribution to cover new construction costs.

Maine uses a combination of state appropriations and financing to help school districts construct or renovate public school buildings (ECS, 2023a). Maine school districts only obtain state funding for capital improvement projects if their school facilities needs are ranked at the top of the state's priority list, and if there are sufficient funds available. Maine also relies heavily on financing school construction and renovation through the sale of bonds and loans, as there is no statewide tax or other revenue source specifically dedicated to fund school construction. State funding for these projects is part of general purpose aid supported by a variety of state revenue sources. Maine uses an independent finance authority (Maine Municipal Bond Bank) to administer a majority of the school construction and renovation loans. Forgiveness on loans for school renovations is based on the limits of loan forgiveness set by the fund and the district's state subsidy share.

For the most part, Maine relies first on local property tax revenue to fund local school construction and renovation needs, and districts pay interest on loans for those projects. Many school districts fund a portion or all of their own facilities needs from local taxes and pay back construction or renovation loans with interest.

Funding Models and Strategies Across the US

There have been some national studies and reports that describe and compare how US states pay for school facility construction or renovation. While these reports are helpful in describing the different policy approaches states have taken to fund school construction or renovation, they do not provide guidance on how to implement different strategies nor the trade-offs or impacts of these policy choices. Ultimately each state must decide on what combination of funding strategies and revenue sources is a good fit for their fiscal, political and policy contexts.

In 2010, the 21st Century School Fund, the Building Educational Success Together collaborative and the National Clearinghouse for Educational Facilities produced a joint report that compared state policies for funding capital construction for public schools (i.e., major facilities projects involving renovation or construction). That report found that states use either direct appropriations or financing through bonds, or some combination of the two approaches, to fund public school capital construction, and highlighted the policy approach for a few selected states. Some states use matching grants to school districts while others cover the interest payments for bonds. Some states consider needs-based criteria in determining the level of state aid for school capital construction (Filardo et al., 2010).

A joint report in 2016 by the 21st Century School Fund, the National Council on School Facilities and the Center for Green Schools indicated that between 1999 and 2013 the average state share in the cost of school capital construction rose from 11% to 20%, but there remains a strong reliance on local school districts to fund large capital improvements through bond financing. At that time, 12 states provided no direct funding or reimbursements for capital construction and six states contributed more than 50% of the costs (Filardo, 2016).

In 2021, the 21st Century School Fund, the National Council on School Facilities and the International Well Building Institute provided an updated report on capital construction funding for public schools over the period of 2009 to 2019. During that ten-year period, local governments provided 77% of the funding for capital construction, state governments provided 22% and the federal government funded 1%. While the state share had grown by 2% since 2013, the approaches and strategies states used to fund capital construction had not changed much since the 2010 report. The report stated that 11 states did not fund capital construction during this ten-year period, and ten states including Maine provide more than 50% of the funding for capital

improvements for public schools. During that ten-year period reviewed, 13 states conditioned state aid on district wealth variables that indicate financial need. Some states choose to award state funding on a first come, first serve basis while others award projects based on a needs assessment. The report also summarized the different funding sources used, including: general state revenue from income taxes, sales and excise taxes or fees, lottery or gaming income (Filardo, 2021).

The Education Commission of the States (ECS) compiled the available data for a series of policy briefs and reports, comparing states' chosen school construction funding approaches through state appropriations, financing or loans, or a combination of the two strategies (ECS, 2023). The reports also compare other aspects of school construction policies that reflect state priorities such as wealth equalization and voter approval or choice of strategies around funding mechanisms, funding authority or incentives to encourage consolidation. We summarize findings from those reports in the next sections and highlight where Maine fits into these different approaches.

Growth in State Role to Fund Schools

Since the 1980s, local governments have surpassed state governments in providing the majority (77%) of funding for public school capital expenditures. Ten states, including Maine, provide more than 50% of capital costs for public school construction, but the vast majority of other states provided no funding for capital construction from 2009-2019 (ECS, 2023a, b; Filardo, 2021).

State Funding Approach

For states using state appropriations to fund public school construction, the state provides direct funding to schools to plan and build their own schools and districts are not expected to repay this state funding. To pay for those appropriations, states need to have some type of dedicated statewide revenue source. A majority of states (35) provide state appropriations in some way to fund school construction or renovation (ECS, 2023a, b).

States taking a financing approach to fund school construction provide assistance to help school districts secure loans and the state may or may not provide some forgiveness of loan debt. A majority of states (35 and the District of Columbia) take the financing approach to fund school construction or renovation (ECS, 2023a, b). In this approach, the state may either administer loans or use an independent financing authority. Maine is one of 16 states that have established

an independent finance authority for managing school construction loans and debt (ECS, 2023a, b). States require either full or partial loan repayment. As described earlier, Maine primarily relies on the financing approach to fund school construction and may forgive all or a portion of school construction or renovation depending on the priority ranking of projects, availability of funding and the district's state subsidy.

More than half (28) of the states use a combination of both state appropriations and financing to fund school construction, and Maine is considered to be within this group. Across all 50 states, 90% provide some type of financial assistance to school districts for public school construction (ECS, 2023a, b).

Revenue Sources for State Funding

Fewer than half (19) of the states have dedicated state income sources for school construction. States use various sources of statewide revenue to fund state appropriations or financial assistance for public school construction and renovation. These sources include: lottery or gaming income (six states), sales or excise taxes, fees or other sources. For example, Massachusetts draws on a portion of statewide sales tax revenue by dedicating one cent of a 6.25% sales tax to their School Modernization and Reconstruction Trust Fund. New Jersey uses a tobacco settlement fund (ECS, 2023 a, b).

Finance Management

States vary in how they manage school construction finance loans and debt. They have elected to use independent finance authorities, state financing or local financing with similar frequencies. Slightly more states (19) choose to have a state department or agency oversee the financing of construction loans, while Maine, New Hampshire, Rhode Island, Massachusetts and other states use an independent authority (ECS, 2023a).

Wealth Equalization Factor

More than half (28) of the states have a school construction funding policy that incorporates a mechanism to support wealth equalization across districts. They pursue this goal in different ways. Most of these states (25) consider locally assessed property values while a few states consider the average household income, percentage of students living in poverty or other factors (ECS, 2023a).

Improving Maine’s Approach to School Facilities Funding

While most of the comments shared by district administrators in the focus group centered on challenges and concerns their districts are experiencing related to maintaining and funding appropriate learning spaces for their students, they also shared thoughts on aspects that are working well and some creative ideas for improving both the process and funding for school facilities in the future. Their recommendations emphasize the need to increase the level of funding available for school construction and renovation projects, by looking at alternative funding models that do not continue to rely heavily on borrowing, and new sources of state and local revenue not typically tapped in the past to fund schools. Administrators also seek a model that would allow resources to be more equitably shared across the state by requiring all local districts to maintain their existing buildings and to share in the costs of capital improvement projects. District leaders indicated Maine needs a new, holistic approach to tackling the school facilities challenges by looking at the collective needs statewide, taking into account demographic changes and students’ needs, rather than continuing with a piecemeal approach based on individual project applications submitted by some districts. Districts also called for more flexibility in policies around school facilities to help districts find the most cost-effective solution to meet their needs. We briefly summarize those ideas here.

Need for Other Revenue Sources

In the focus group, district administrators emphasized that the current model of relying heavily on local property tax revenue and borrowing with interest is not working well for Maine. That model has generated insufficient funding to meet the needs and higher costs overall. Administrators are hoping the state will consider some of the strategies used by other states to generate state revenue to reliably fund schools—principally identifying reliable income sources that would be dedicated for school facilities. Some of the suggested state revenue sources included a portion of the statewide sales tax, gaming or other state revenue streams.

If there's not a true change in funding and taxation going along with this, we're just going to continue to like, spin our wheels.

If you look at what we're paying now for schools and what we're paying in interest on bonds, 20 year bonds. You look at other states, and I know the state commission will actually look at some other state models. But living on bonds . . . the amount of money that is going out the door just to pay interest, versus other states which are paying straight up cash for school projects.

If we can open up casinos for harness racing . . . are there other statewide revenue sources that we could look at funding school construction? Because it impacts everybody. . . . It would be nice to have some sort of dedicated support, whether it be something on the sales tax or something else to help.

District administrators also offered ideas in the focus group for generating more revenue locally from new tax strategies to provide more funding for school construction or renovation projects. For example, they discussed the idea of generating tax income from out-of-state tourists in communities that see a high number of tourists.

In thinking about that Massachusetts model where there's sort of that sales tax, you know, and here [my community] and other regions that have high [number of tourists] . . . is there any kind of local option sales tax that might be utilized for a period of time, to help with things like schools, when you have visitors coming to sort of share in those costs? But figuring out creative ways that can help meet the needs of communities, I think would be really important.

Update the Debt Ceiling while also Retiring the Debt

Several district administrators endorsed the idea of moving away from a borrowing model in Maine to a funding model that would allow upfront cash payment for school capital improvement projects. But they also acknowledged the challenge of retiring debt on current projects at the same time.

I think one of the things that the legislature is going to need to do in the Governor's office is that if we want to move to a cash model, how do we retire [the current debt] now? We have 20 years' worth of bonds that we're still paying on. How do you retire those bonds and then move to a new funding source?

Need for a Statewide Plan

In the focus group, district administrators shared the view that the challenge for Maine to fund school facilities improvements are now so extensive and pressing that a more holistic approach through a comprehensive statewide plan is now needed to address the facilities challenges across the state in an equitable and timely manner. The piecemeal approach of selecting and funding projects as they are proposed by individual districts and only funding a few projects at a time is not working.

We really need to look at the entire system of what does community support look like? What does state support look like? What is the financing structure of that? And then what are some community choices that need to be made?

Some sort of a holistic look, each and every time. Really, the state of the needs within the state. I just think it's weird that we leave it up to the choice of an application process when something so significant is now like bubbling around the state.

Create Less Expensive School Designs

District administrators spoke about the high cost of creating new architectural plans every time a school is built, and the higher cost for some design features that, while visually attractive, may not be necessary or affordable. They offered that one way to save both local taxpayers and the state as a whole on the cost of funding school construction would be to create a few school plans that districts might choose from that would meet their needs but also be more affordable overall and could be used across multiple projects.

Can we look at other ways that we can look at [reducing school design costs]. . . people aren't going to love that we have a cookie cutter school being built, but it's a lot of money that could go towards building other things.

I think there's a real piece in the design features. We just did an expansion that added a wing to our high school. And part of my own frustration with that, and I know people want beautiful schools and wonderful features, and this kind of architectural design eye on things. I would rather have more simple structures that cost millions of dollars less than some of the, it catches your eye when it first opens, but a year later, it's just a school. So, if that would save us money . . . I think we could be much more basic in our design. And just say, "Hey, look. Here's the template, and it costs millions of dollars less, so we can do more for more communities."

Require a Local Share

In the focus group, district administrators agreed that it may no longer be feasible for the state to continue to fund the full cost for a new school, and that this approach leaves many communities without state assistance to address their needs. They asserted that all communities need to play a role in helping to fund their school facilities, and that local taxpayers should expect to have some responsibility in paying for their schools and maintaining them. It is both an equity issue as well as a practical matter given the limited state funds for school facilities.

[With the current policy] You're saving the taxpayer from ever having to commit to anything. And I see that as one of the challenges of our program.

Can we continue to afford to do 100% cost of schools and districts? Or is it time to have districts have a little bit of skin in the game for any of the construction projects that we do?

Even the Massachusetts model—I don't think Massachusetts pays a hundred percent for schools. I think districts are required to put a considerable sum in, and so it becomes a partnership.

The idea of having the state share [the cost] with the community—I think that's really important that it's not just an all or nothing deal. Is there some way where that can sort of spread out and then available dollars can be spread? Because I think people in their communities do care about their schools. But if it's all or nothing, it becomes really difficult.

The idea of the local district or communities having “skin in the game” goes beyond the responsibility to help fund capital improvement for school facilities; administrators also emphasized the expectation that the Maine Department of Education would work closely with districts at all stages of planning to determine how best to address the local facilities needs, whether through renovation or construction and/ or school consolidation.

It's really a process of going back and forth and figuring out what is the middle point between that's going to work for that individual district and that population, and what the state will allow you to do within their own specifications. And I would hate to see it just be an open blanket for districts to do what they want. And I would also hate for it to be cookie cutter that if you're doing a state project you can only do X and Y versus a local project.

Underlying all of that is the idea of local control in the state of Maine, and that there is an expectation, even if you are awarded a major school construction project, that the local community leadership is involved in the design, in the analysis of what's best for the entire district. That it really is about DOE engaging with local school districts in all of those decision points. It's sort of that skin in the game conversation too, because there is going to be local burden associated with the costs and the operation of a new school.

Plan for Enrollment Changes

Creating a new vision and plan to better position the state for predicted changes in the PK-12 school enrollment across the state will require better use of demographic data in the decision making about how best to address facilities needs in a way that is cost-effective over the long term. Many parts of Maine are seeing shrinking enrollments as predicted some years ago, particularly in northern and rural, remote communities. On the other hand, some urban/ suburban centers are growing rapidly for a variety of reasons, including seeing a large influx of immigrant families. Enrollment can change slowly or quickly in different districts, affecting how much time a district has to figure out how to make their existing facilities work or embark on major changes.

And I think that that's something that needs to be addressed with shrinking enrollments of why we would, why the State would fund a hundred percent something that may not make efficient sense for where we're heading as a population.

We have 200,000 square feet for less than 500 students. You know, we were like 20th on the list for a new high school. But really what we need to do is consolidate as we're seeing a reduction in enrollment.

Plan for Changes in Students' Needs

Along with the need to plan for changes in enrollment numbers, district administrators also voiced frustration over the lack of appropriately-sized spaces within their existing facilities to deliver their educational program and provide the services that their students currently need. Several administrators described the need for spaces that are right-sized to provide different kinds of special education or other student services, rather than the standard classroom spaces they currently have to work with. A superintendent noted that the influx of immigrant families means that they see an increased need for different kinds of student services and appropriate space to provide those services in the schools.

A problem that we have that I know is not as common in Maine currently, is that we're growing rapidly. And there are no real mechanisms in the state of Maine currently for a fast growing district to create more space for learning that is up to code, which I think has gotten excessive. . . . Enrollment grows much faster than the ten year frame for being selected [from the state's priority list]. . . . So you need more spaces because of things like multilingual or higher need, more special ed, because of our demographics.

Our current spaces don't necessarily meet the needs that we have for special education. But it doesn't mean I need a new school. It may mean that if I had this space that was built and designed to meet some of our special education needs, that's taking up a ton of square footage in our schools, we might be able to think differently about, you know, an 800 square foot classroom is an 800 square foot classroom. And we might be able to continue to live with some of those things. There's just some other things that we need now that don't require a brand new school in some places.

Need for More Flexibility and Options to Address Needs

Both state level policymakers and district administrators shared their view that there is a policy gap currently that makes it difficult for districts to get state funding assistance for projects that are somewhere in between a single renovation and construction of a new school. Several superintendents described their own districts' experiences where they need something in the middle of the two existing facilities funding programs in the state and want to find the most

economical solution—for example, a wing to expand an existing school, rather than a costly new school.

We need something in between. We need an option that's not a new school. That's not just a renovation. But we need another plan that allows schools to do an addition without having to build a brand new school, and without just renovations.

I just wonder if there isn't an opportunity to, this time around, have a different type of option so that the monies can be spread further, but yet would make buildings and districts much more whole for many, many years. Compared to taking on a project like building a brand new high school . . . I would hope that there could be some different type of avenue for school systems like mine that do need renovations, but also need additional space, additional wings.

I have these four elementary schools. We have a shrinking population, but I don't have the capacity to merge school populations, because the buildings physically can't take the extra students coming in because of the programming that we provide.

So you're just solving your problem so much quicker and saving money within your district that if there was that optional program, and districts knew what they were getting into, and that they had to not only present the construction need, but maybe a cost efficiency need, that might do a lot for a lot of different people. . . . Some of it is about being efficient, and we hear a lot of people talk about declining enrollments and doing something that way.

Another concern related to the need for more flexibility in the state's policy for funding new schools stems from the experience that a few districts have had with a school that was severely damaged by fire and not usable. This sudden and unexpected circumstance creates an emergency situation for districts as they scramble to find appropriate space for their students to resume their educational programming. One superintendent shared in an email message that their district was advised by the Maine Department of Education to apply for state funding through the normal application process, which, as we've described already, has a lengthy timeline with very uncertain outcomes about whether a project would score sufficiently high on the list to receive funding. For districts in this situation, some revision of the policy may be needed to create exceptions that allow a higher priority ranking to address the needs.

Require Districts to Maintain Facilities

Few states have requirements for school districts to budget money for facility maintenance and renovation. The 2020 GAO survey found five states required states to use a percentage of their general education funding for maintenance and operations. One of the

recommendations of Maine's 1997 School Construction Committee was, "All school administrative units must be required to annually allocate a minimum percentage of the replacement value of all school administrative unit real estate to facility maintenance, capital improvement or capital reserve accounts" (The Governor's School Facilities Commission, 1998). Maine did not adopt that recommendation.

Some rural states are looking at how to encourage consolidation and require facility maintenance. In 2024, the Idaho legislature approved \$2 billion to repair and replace aging school buildings that will be allocated based on districts' average daily attendance. This use it or lose it funding approach is designed to favor schools with more students (Savransky, 2024). Vermont recently commissioned a study on school construction. The recommendations included requiring districts to have adequately budgeted for maintenance and have a five-year capital plan to be eligible for state funding. In their assessment of potential projects, bonuses would be given for projects that involve school consolidation (VAE, 2024).

In the focus group with Maine district administrators, strong frustration was voiced regarding the disparity in local district effort to maintain school facilities across the state. They described how their own districts have funded necessary maintenance and improvements, while other communities have not maintained their facilities. These administrators observed that districts that don't maintain their schools still receive approval for state-funded new construction, while their own project applications slipped to a lower priority rating on the state's list. This circumstance creates the perception that districts are penalized for spending local money to maintain their schools, while other districts are rewarded for not maintaining their schools. There was general agreement that the current policy seems to disincentivize local spending on maintenance and facilities improvements as districts feel any local effort to improve buildings on their own will put them at a lower rank on the state's priority list for state funded projects.

Several districts indicated that they used the federal relief funding during the pandemic to address critical needs in their school facilities, but those funds are no longer available to tap. A few administrators in the focus group shared their disappointment about having to reduce their budget for maintenance, due to taxpayers' reluctance to approve budget increases.

There are 97 applications. But I think we'll be down on the bottom because we've tried. If it wasn't for the ESSER funds I would not know what we would be doing. If it was not for that which we invested in our buildings, we would be in a lot of trouble. . . . But

again, if it wasn't for the ESSER funds, none of the local schools would be in, as you know, at least better shape than they were if they didn't replace that.

I think many of us used a lot of ESSER funds because we had to. We tried to find creative ways to match the language that the COVID demand required us to do things that we knew our buildings desperately needed.

I think there has to be some type of understanding that if you're going to say that, you know, if you want schools or superintendents to let their buildings fall apart, just to get on this list and stuff, I think that's, for my community, we couldn't do that. The school needed a lot of work, and we put a lot of work in that. But I feel like we've been penalized because of that.

My board has made a commitment to putting money into facilities to sort of change the trajectory of what has been done in previous administrations, because of the recognition that some of our buildings are not in the shape they should be. Part of that is because we applied for construction and wanted to get on the list. So there's that double-edged sword.

I hear superintendents time and time again saying, "If I open up that wall, I'm going to be so out of code, and I'm not going to have the money, and I'm not going to get the revolving renovation fund that I need the support from that," and we continue to fall apart. And we've got children in unhealthy buildings.

And I know my board, we put a significant amount of money in last year, and our budget was soundly rejected. It took us three times to get there, and we ended up having to cut from facilities.

Continue with Site Visits

While the state puts together a school facilities inventory with input from local districts, administrators participating in the focus group said the site visit from the state team is very helpful to make sure that the state has a more comprehensive look at the needs across the various buildings within a district and more in-depth information about each building. Districts often have several buildings with important facilities needs and enrollment changes district wide. Rather than looking at only one building's needs, district leaders said they value a holistic approach to create the best plan for the district's future.

I don't think the inventory captures things like structural issues or other unique issues that a building might have that just doesn't show up in inventory—what the heating plant was, when was it built, age of the windows, those types of things, that I think you need a more in depth [look at]. That's only provided by the process now with a visiting team.

Part of the process is then to come to town, look at all three schools, do a new versus a renovation [assessment], and look at what's best for the community, and not just come

and take care of that one school. And I think that's happening in a lot of communities. I wouldn't want to see that piece not happen.

Part of going through this process [site visit by MDOE] also was a chance to look at all of our schools and do some long-term construction planning and school planning. So that part of the process definitely worked.

I think one positive part of the process [site visit and rating] is the kind of, I don't know if it's right to call it a negotiation, but like the iterative process that happens with the DOE, where it's not just a cookie cutter project, but you really have to look holistically at the whole district and think about what's best long term.

Administrators voiced strong confidence in the Maine Department of Education staff who work on school facilities planning and the teams that conduct site visits. However, they noted the current level of regular staffing with two people does not seem sufficient to meet the workload. They would like to see increased staffing in this area. They also view the process of visiting and rating school facilities needs as fair.

And one thing positive I'll say about the process is, I think that it's a fair process, and I think that the committee that comes and visits, I think they do their best to put all their time and effort and energies into adequately assessing school buildings.

I worry about the visiting team because the school construction office is really down to [two individuals], and that's about it. So they definitely need some additional help to address, you know, this backlog of schools that were built late fifties, early sixties across the state of Maine, which have now reached the end of their useful life.

Train, Support and Assist District Leaders

In the focus group, there was an acknowledgement that district administrators are not prepared through their educational training to manage large, complex and financially expensive construction or renovation projects in all that they entail. This extra work adds a significant burden to their already demanding workload. District administrators would like more support from the state that is not currently available. They were not specific about what form that would take, but it could be individuals paid by the state to help districts manage large projects.

I would just also want to mention that when you have a hundred million dollar project plus and your training is in education and not construction, it seems like a lot of state money to be managing for something that I don't necessarily feel that I'm a hundred percent trained upon. . . . It should just be a conversation, at some point. If you're pushing so much money from the state into this, maybe there should be some management or more support.

Conclusion

This report provides some background information and data to help inform the broader discussion on future policy changes for the state. We shared a policy analysis summarizing Maine's historical efforts to address the challenges related to school construction funding, many of which have not been successful in encouraging collaboration across communities to improve efficiency and reduce costs. We also described important contextual data on Maine demographics, describing trends in the number of school districts, schools, administrators and student enrollment and how Maine compares with national averages, which are critical to consider in making decisions about how many new schools to build for the future and where. The report also summarized key elements of Maine's current state policies and the process for school construction and renovation, and then examined elements of capital improvement policies across the US.

The large number of facilities across the state in need of attention and students educated in less-than-ideal conditions, combined with the lack of sufficient funding statewide to address the high priorities for school facilities, indicate a need to consider alternative approaches to funding school construction and renovation. Maine is currently engaged in conversations at all levels of government to explore what is working well or not with the current approach to funding public school capital construction and renovations. The Governor's Commission has pulled together stakeholders to consider options to help secure a solid basis for funding school buildings to meet the 21st century needs of students in an equitable manner and with a priority for both fiscal and environmental efficiency and sustainability.

Like many other states, Maine continues to rely heavily on local property tax revenue and financing through loans and bonds to fund public school capital improvement. No specific source of state revenue has been dedicated to fund these capital improvement projects specifically. This model results in lower equity in funding school projects, given the vastly different income levels and tax revenue bases across the state. Further, with a model relying on borrowed funding, the total construction costs for projects are increased due to the interest incurred on loans or bonds. With very limited state resources to assist in funding school construction or renovation, and the current debt ceiling set in policy, many schools continue to deteriorate while communities wait their turn until they come to the top of the state's priority list. What has long been a discouraging situation has grown into a critical problem, demanding some out-of-the-box thinking and hard

choices at both the state and local levels to consider different strategies for funding facilities and collaboration across communities and districts.

Examining the range of strategies used by other states, Maine has an opportunity to consider a mix of various approaches to increase the total amount of funding available for school construction and to speed up the process to fund more projects each year. For example, Maine could move to a model of paying for projects in cash rather than loans, drawing on various strategies used in other states that use a portion of a statewide tax, gaming or lottery income to help fund school capital improvements. Having a dedicated source of funding for school construction and renovation at the state level would provide more predictability in the funding available. A portion could be invested to generate more revenue for future use. In addition to identifying additional funding streams, Maine might revise some of the existing policies to provide more flexibility for the type of projects the state will assist with, and requirements for a local share in funding projects as well as regular effort to maintain existing facilities.

In our conversation with 45 district administrators (predominantly superintendents) from across Maine in December, administrators shared ideas for how to improve current policy, process, equity and efficiency in funding public school facilities construction and renovation. We described these ideas in the findings section and summarize them briefly below, organized under three broad themes:

New Statewide Funding Model Needed

- Statewide revenue sources need to be identified and dedicated to help fund public school renovation and construction, moving away from the more costly reliance on borrowing.
- School districts should be required to help fund school renovation or construction. The state cannot afford to fund 100% of projects.
- School districts should be required to budget for and maintain their school buildings.

More Holistic Approach for Statewide Planning Needed

- State planning needs to move from a piecemeal or project by project approach to a more holistic, statewide approach to assess facilities needs across the whole state.
- A new plan needs to prioritize improving equity and shortening the timeline to complete projects to address serious facilities needs in a timely way.
- Creative strategies are needed both at the state and local levels to identify new revenue sources, allow more flexibility and to reduce the costs. Some ideas offered included:

- Address the policy gap to allow some state assistance on projects that are more than a single renovation but not a new school building.
- Create architectural designs that districts could pick from to lower design costs.
- Consider other local tax strategies in areas with high numbers of tourists to share in the local costs of schools.

Need for State Assistance

- Most districts will continue to need some degree of state funding assistance for school renovation and construction given the high and rising cost of construction.
- District leaders need more support and staffing assistance to help plan and manage large and costly projects.
- More staffing is needed in the Maine Department of Education to work on school facilities.
- District leaders struggle to help their community members understand that keeping very small local schools open with diminishing enrollment and deteriorating facilities leads to higher costs overall and reduced educational opportunities and services for students. Leadership is needed at all levels in the state to help communicate the costs and responsibilities related to school facilities and to implement policy tools that will support improved equity and efficiency statewide.

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Appendix A
Focus Group Interview with District Superintendents
Protocol
Dec. 18, 2024

1. Please describe any experience you have had in seeking state funding to build or renovate a school facility within the past five years.
2. In your view, what is working well regarding Maine’s approach to funding school construction and renovation needs?
3. What are some challenges with school construction and renovation funding?
4. Given the current policy discussions about alternative policy approaches, what ideas do you feel Maine should consider?