

“A FINANCIAL CRISIS IS A TERRIBLE THING TO WASTE”

Remarks to the Greater Portland Chamber of Commerce

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Right at the outset, I want to disclose that, along with my seven brothers and sisters, I am a product of Maine public schools, in Bangor, Hampden and Portland. We were blessed to have excellent, dedicated teachers, from kindergarten through high school, and whatever success we've enjoyed has been in large part thanks to their inspiration. On the other hand, if I get anything wrong today...blame it on my education.

The question posed today Maine's competitive standing in education.

So, how are we doing in education, at all levels?

OK, I guess. Still better than a majority of the States. The Maine Coalition for Excellence in Education says that “Maine is ahead of the national average on nearly all education performance metrics, and in the top 10-15 states on many education metrics.” For example, in 2007 we ranked 10<sup>th</sup> in the number of 4<sup>th</sup> graders proficient in reading, though it was only 36%. Likewise, we were #5 in 8<sup>th</sup> grade reading proficiency-at 37%. Great. But not so good in math: #18 for 4<sup>th</sup> graders, and #24 for 8<sup>th</sup> graders.

But still, I well remember a member of our New Challenges, New Directions Task Force, Sandra Featherman, former President of UNE, exclaiming how well Maine kids were prepared compared to those in many other states. Her anecdotal observation is borne out by our very positive rating on the ACT college admission test, where we rank #6 in the country. And by yesterday's news re superior performance on the Advance Placement tests.

The trouble is... overall, the trends are not positive.

One of our leading education policy analysts, David Silvernail of USM, has noted that those relatively good scores have been dropping-sure, we were 10<sup>th</sup> in 4<sup>th</sup> grade reading-but a decade ago, we were 4<sup>th</sup>. And where we were 24<sup>th</sup> in 8<sup>th</sup> grade math-a decade ago we were #1. And he notes we lag national averages in SAT test scores in key areas by 30 or 40 points.

The most recent results are likewise troubling. We've changed testing methodologies yet again, making year to year and national comparisons extremely difficult. But the pattern is not comforting: Using the NECAP exams, last year our 3-8<sup>th</sup> graders averaged 61% proficiency in math, and 70% in reading. For NH it was 66% in math and 77% in reading, while in Vermont the figures were also 66% and 72% in reading. So we continue to lag, even in these small samples. (Keith Edwards “Test results in for Maine students” Kennebec Journal Feb 3,2010, p.1)

Moreover, we are suffering a huge shortfall in students actually graduating from high school, at 78.5%, and another 18% not going on to any higher education at all. This, in a global economy increasingly dependent on an educated work force.

In fact, to me one of the most ominous statistics of all is that the current 25-34 age cohort in Maine is LESS well educated than Mainers between the ages of 35 and 54. In other words, at a time when advanced skills are more important than ever, by one important indicator, Maine is actually going backward! (NCND p.12)

Which brings me to the second major point I'd like to make today.

Maine is not slipping backwards because of any lack of resources at the K-12 level. Higher education is a different matter, and I will address that separately later.

This may come as something of a surprise. You don't hear much about this aspect of our situation. But the fact is that Maine is extraordinarily generous in its education spending.

In 2008 we devoted 39% of our State expenditures to K-12, and another 9% to Higher Education. (MDF p.16.) We have steadily increased K-12 expenditures by a whopping 451% despite an actual decrease in enrollments over the last 30 years of 16%. (MDF p.16).

The bottom line is that in 2008 we were spending \$13,513 per K-12 student-some 25% greater than the national average of \$10,259 per student. We ranked 10<sup>th</sup> in the nation in per student spending. There is every reason to believe the expense to student ratio has only increased in the past 2 years. (James Rier "Education Funding Law Implementation" chart12-18-09).

So, just to recapitulate here. The number of students is DOWN over the last decade. The academic performance indicators are trending DOWN as well. But K-12 spending is UP, way UP.

Some people instantly race to explain this incongruity by noting Maine's geography, and our population patterns. And sure, that is a factor-tiny coastal islands do distort our statistics, as do remote towns on the edge of the Unorganized Territory. And suburban sprawl plays an increasing role. But on the other hand, nearly half the State has no human population at all, and our population density is not nearly so sparse as the raw data suggest. But more importantly, we rank 38<sup>th</sup> among the states in population density at 42 per square mile. (CQ 2005 p.38. That means 12 other states have a lower population density than we do. (Ore, Ks, Utah, Neb, Nev, Ida, NM, SDak, NDak, Mt, Wy and Alaska). But in 2003-4, every single one of these states-none of which are in the Deep South, spent less per pupil than did Maine (CQ2005 p.218). I want to make it clear here that I am not suggesting that any particular spending level is ideal-just that there is NOT an automatic link between our outlier status and our population density.

So if geography does not go very far in explaining the disparity between our spending and national averages, what does?

Not teachers' salaries-here we rank 42<sup>nd</sup> at \$44,731, significantly behind the national average of \$53,910 (CQ 2009 p.125)-even though that \$44k figure is 21% greater than the average annual income in Maine (CQ2009, p.126).

Rather, we have to look elsewhere for the major cost drivers to our very expensive system. They are not hard to find.

1) **DESPITE PROGRESS, WE STILL HAVE A SYSTEM OF TINY, FRAGMENTED SCHOOL ADMINISTRATIVE UNITS.**

Tumultuous and difficult though it has been, we have made some progress recently in reducing the number of school units. On paper we have gone from 290 down to 218 school units-some 40 of which have no schools at all, as they tuition out their students to adjacent districts. And we are down from 152 to 130 superintendents, some of whom are very part time. That's progress. But of the 178 with schools of their own, 60 have fewer than 25 teachers in the entire system. That is, one third are still too small to enjoy any kinds of economies of scale.

If you think this does not constitute as significant stress on our resources, just imagine that if instead of 3 electric utilities, Maine had 178 electric distribution companies, each with its own administration, financial structure, crews, purchasing policies, standards, etc. etc. I guarantee you that your costs would be far higher than they are today.

2) **MAINE HAS BUILT UP AN ADMINISTRATIVE STAFF GREATER THAN THE NUMBER OF ACTUAL TEACHERS.**

The last year for which reliable Maine statistics are available, apparently, 2003-4, we had 33,238 public school employees of which 14,159 were classroom teachers. The other 57%, some 19,078 employees fell into 61 other job categories. This extraordinary growth is not the product of mindless or venal bureaucratic sprawl, mostly, but because we keep piling on new educational mandates, health and welfare programs, nutritional services and the like without ever assessing their cumulative impact. But such uncontrolled growth is, I believe, unsustainable, as we are now witnessing with the collapse of the Greek economy under the weight of a civil service employing fully one third of all workers in the country, and the costs of paying for them through public debt. (MDF p.18). In our case it is particularly striking to compare how these numbers have gone UP, as enrollment has gone DOWN.

3) **MAINE HAS ONE OF THE VERY LOWEST STUDENT/TEACHER RATIOS IN THE COUNTRY.**

There is some controversy as to exactly where we stand, with some suggesting the ratio is now down to 9:1, the lowest of the 50 states. But again using CQ data, they are reporting a ratio of 11.3:1 for 2009, making us #48 in the country. (CQ 2009, p.124). This compares to a national average of 15.3:1-a very significant 25% differential. That is, we employ 4 teachers for every 3 the average state does for an equivalent number of students.

The costs of that kind of discrepancy add up fast. Just 10 years ago, Maine employed 1 teacher for every 14 students. (CQ2001 p.204). And Prof. Silvernail has noted that the average ratio in rural states with better academic results than Maine runs to 13.5 to one. If we used that ratio as a matter of public policy, we could experience an annual savings on the order of \$400 million in this category alone. (Silvernail I "Critical Investments in Education" MECEP Jan 11,2010, p.5).

4) MAINE MANAGES A SPECIAL EDUCATION PROGRAM NOTABLE FOR ITS HIGH DESIGNATION RATES AND HIGH COSTS.

Special education is a major and ever growing component of Maine's K-12 budget. We spent some \$290 million on special ed in FY2006-7. The growth in the amount and share of the K-12 budget taken by special ed is illustrated by the following tables. (MDF p.19) And the numbers keep growing -indeed this is one area where we have unfortunately ranked 1<sup>st</sup> in the nation-in 2002 fully 18.2% of Maine students were so designated, compared to a national average of 13.7, (CQ2005 p.215). Since then we've apparently dropped down to 3<sup>rd</sup> place, behind NJ and WV.- but we still are more than 30% above the national average. (Silvernail, MECEP, p.5)and far over the federal assistance cap of 12% (Individuals with Disabilities Education Improvement Act of 2004). Were we to follow the national guidelines, Education Commissioner Sue Gendron estimates we could save another \$60 million a year. (Silvernail MECEP p.5).

Of course there are many other cost drivers, including the number of school buildings we finance and maintain, and the way we structure fringe benefits and retirement plans-which should be of concern to both beneficiaries and taxpayers, but these four are the most conspicuous and important in my judgment.

So, at this point, some of you may be thinking, "well, sure, our costs are high, but its worth it because we are getting better results for our extra expenditures."

Maybe that's true for some individuals in some circumstances, but on a system-wide level the facts suggest otherwise.

Again, Prof. Silvernail, whose Maine Education Policy Research Center at USM conducts intensive research on school performance, has made the following analysis:

"1....there are approximately twice as many lower performing, less efficient schools and ...districts as there are high performing, more efficient schools and districts.

2. Lower performing districts are only about 1/3 the size of higher performing districts, yet lower performing districts have approximately 25% more staff per pupil.

3. System administration costs per pupil in lower performing districts are 80% higher than they are in higher performing districts." (Silvernail, MECEP,p.3)

This point is well illustrated by the following scatter diagrams which show the distribution of relationships between our 178 school systems in performance and cost. (District Grade 8 Student Performance to Per Pupil Non-Instructional Expenditures FY08; District Grade 8 Student Performance to Per Pupil Instructional Expenditures FY08; Relationships Between Instructional and Non-Instructional Expenditures and Student Performance Correlations) As you can see, there is little or no positive correlation between expenditures and results.

Likewise, we should bear in mind that we were actually achieving better academic outcomes when the student teacher ratio was 14:1 ten years ago.

It may be that DIFFERENT allocations of resources might produce BETTER results. That a state-wide pre-K program ,or a longer school year, or greater science offerings and wider availability of laboratories, or delivery of specialty courses through distance education, or some kind of compensation incentive related to skills, professional development and performance could result in meaningful improvements in our educational outcomes.

But simply spending MORE in the same old ways seems highly unlikely to produce better results.

To me, the two fundamental problems in K-12 education in this time of financial hardship are:

1. Our K-12 system is comparatively very expensive-some 25% above the national average; and
2. Our extra spending is NOT resulting in better performance, in fact we seem to be slipping at a time when higher attainment is essential to economic success.

So what can we do?

For K-12, we can deal with the financial shortfall in one of three ways:

1. We can raise taxes to maintain the status quo as best we can ; or
2. We can engage a host of short term expedients to temporarily cut costs until the good times return; or
3. We could make fundamental structural changes to produce both a better chance for improved academic outcomes and for long term savings.

Those are the choices.

Let us consider the tax increase option for a moment.

We all know Maine has a relatively modest average income. In 2007, for example, we ranked 35<sup>th</sup> among the states. (MDF p.4) And there are many demands on that income. For example, the median household income for a household of 2 adults and one child was \$43,439 in 2006, compared to a national median of \$48,451. But in health insurance, heating oil, electricity and transportation costs, and state and local taxes Maine was well above the national medians, so that while the median national family had some \$3300 left over after taking care of essentials, its Maine counterpart needed to cut back some \$2000 from the national norm in expenditures just to break even.

That was BEFORE the most serious recession since the Great Depression.

As Prof. David Findlay of Colby editorialized in the Kennebec Journal recently, under these circumstances it's tough to raise taxes, thus lowering some people's disposable income so as to be able to raise others' pay.

And it's especially tough when the relevant tax is the generally regressive property tax.

As former State Representative and card-carrying economist Dick Woodbury has pointed out, "More than half...of households with income below \$40,000 are estimated to pay more than 6% of their income in property taxes. This compares with 9% of households with incomes above \$60,000...about 1 in 3 of the lower income households pay more than 10% of their income in property taxes. These data explain to a significant extent the feeling of some homeowners that they are being 'taxed out of their homes.'" (Woodbury "The Struggle for Tax Reform in Maine 2003-2009" Discussion Paper 09-2 Fed. Reserve Bank of Boston Oct. 2009, p.6, fig.5).

Nonetheless, some communities will doubtless respond to the current crisis by raising locally generated taxes to maintain the status quo, and that is democracy at work. But it is regrettable when such decisions impose new burdens on Maine families, create greater disparities between rich and poor towns, increase the cost of doing business in Maine, and bear little, if any, relationship to educational outcomes. In any event, such tax measures should be taken strictly at the local level, without pointless subsidization from State taxpayers.

A second option we have as a society is to put together a menu of short term, expedient cuts to try to bridge the immediate cash flow problem, without making any structural changes. Such efforts are entirely understandable and will form an important part of our "muddling through" the current crisis.

A leading example of this kind of thinking is the idea of furlough days for teachers. Maine now has a minimum requirement of 175 student days-one of the shortest school years in the country-and 5 teacher in service days of training. The idea now is to cut some of the in service days to preserve jobs. As the Economist magazine put it, this is the "path of least resistance...it is not a long term solution." (The Economist "Welcome to the real world" Dec 10,2009 ) But real danger could come if this notion were extended to cut in to the student year, elevating preserving jobs to a higher priority than educating students.

We can expect many variations on this theme-a collection of limited, local responses that in the aggregate will produce some savings, some policy short circuits and some constructive reforms.

For example, one district is considering a mix of:

- freezing all salaries for a year;
- employees paying a greater share of health insurance premiums;
- limiting the number of training courses for which teachers get reimbursed;

-closing a school building;

-charging pay-to play fees for sports, drama and other extracurricular activities;

-increasing class size;

-reducing bus runs;

-consolidating special education; and

-contracting out support services in nutrition, transportation and maintenance. (Kennebec Journal Amy Calder "Tough Choices Ahead for RSU 18 District" Jan 27, 2010 p.B6) That's just one example-I am sure virtually every district in the state is considering some variation on these themes with our depressed revenues.

As I mentioned, these kinds of painful, often short term decisions will be part of the mosaic of any response to the current financial crisis. Sometimes they will help, as in closing underutilized, expensive buildings. And sometimes they will hurt, like cutting sports, to the detriment of the objective of retaining male students.

In any event, property tax increases will play a role, and so will ad hoc cuts.

But a profound financial crisis is a terrible thing to waste, as the President's Chief of Staff, Rahm Emmanuel, is fond of saying.

The question is, can Maine go further, and use this opportunity to make more profound, long-lasting and structural changes in its spending patterns and priority choices to both restrain the costs of a Maine education, and increase its value?

I believe there are several categories of expenditure worthy of examination. These are the central, permanent cost drivers that have bulldozed Maine K-12 costs out of bounds:

- 1) School administrative unit costs;
- 2) Administrative unit costs;
- 3) Instructional costs-i.e., student/teacher ratios; and
- 4) Special education costs.

Difficult as these issues are, they must be addressed if we are to achieve long term cost control.

So now I'd like to look at what I hope are some pragmatic, constructive ideas for how to permanently reduce the costs of a K-12 education while preserving or even enhancing the quality of what we offer and our student outcomes.

Our situation is paradoxical.

On the one hand, the ultimate outcome of downsizing and consolidation is inevitable. The slide in the number of students (MDF p.17); the depopulation of rural areas as our natural resources industries become less labor intensive (MDF p.17); and the shift in public spending priorities as the oldest State population becomes older (MDF p.7), all dictate seismic changes in education spending, in the long run.

But we can, and probably will, spend billions unnecessarily, before the long run gets here.

It doesn't have to be that way.

After all, it CAN be done-39 other states are spending less per student than we, including all the states with sparser population densities.

And we have experienced many other sectors of the economy which have adjusted to technological advances, competitive forces and changed consumer requirements-I think of the way the Longshoremen's union made a deal on containerization; the railroad brotherhoods finally accepted the diminished role of the railroads in the economy, the printers guilds adapting to the digital age, for example. None of those were easy for any of the stakeholders, but they ultimately got done because the world had moved on irreversibly. I feel the same way about the referendum on school consolidation last November. If it wasn't the last hurrah of the old regime, it was at least a turning point in public perception that we couldn't continue doing business as usual.

Let me suggest, first, some generic steps we could take to get to right sizing our school system, and then some specific measures we could adopt.

In the first category, five steps that need to be part of the equation include:

- 1) Leadership in the business, government and educational communities stepping forward to acknowledge there IS a problem with our levels of spending and employment and special ed management, and that we have entered into an era of zero sum solutions where spending may be reallocated, but where revenues available will not be materially increased;
- 2) A position freeze to stop the problem from getting worse, so we can start digging our way out by attrition at least. New teacher hires leveled off in 2008-we should do the same for administrative positions as well;
- 3) Recognition that progress will come far more readily if the legitimate concerns and interests of all stakeholders are taken into account, and a share of the savings is devoted to easing the transition of those whose positions are phased out;
- 4) Adoption of a system of metrics and benchmarks so that we can consistently measure our inputs and results against other states over time; and
- 5) Focus on the major cost drivers and develop policies to bring them under control.



- 6) Encourage an improved culture of innovation in education-including alternative programs and schools, greater accountability, improved incentives for people with science and math expertise to go into teaching, and advances in technology, as demonstrated first by our adoption of a state-wide laptop program, the introduction of Distance Education courses, and now, potentially using the new iPad as a cost-cutting alternative to conventional textbooks, for example.

But besides these generic steps, there are several specific policies we could adopt or implement to promote long term, structural reform in K-12 education, of which, to me the “Big 3” are:

- 1) Continuing consolidation of school districts-a job only raggedly begun, and far from finished, with commensurate reductions in administrative costs;
- 2) Getting back to the more sustainable and efficient student teacher ratios of a decade ago; and
- 3) Bringing standardization and consistency to the anarchy of our current special ed system.

With respect to consolidation, we must remain firm in our resolve to continue down this road, and not imagine after one round, the job is finished. Not only for the cost savings, but for the educational opportunities a reasonably sized system can offer over fragmented fiefdoms, if properly implemented.

But how to get there?

#### I. SCHOOL DISTRICT CONSOLIDATION.

##### A. INCENTIVES.

It's so difficult-now we have a law that penalizes small districts if they do not join with others to form larger ones. The proceeds of the state subsidies withheld from non-compliant districts are supposed to be redistributed to systems which have collaborated with each other.

But last year, the Legislature suspended the penalties, and just last week the Education Committee started down that road again, by a vote of 10-3. (Susan Cover “Panel alters way penalty money distributed” Kennebec Journal Feb 5,2010p.1).

Of course, every legislator looks at the bottom line of what each option means for each town in his or her district. But think of the signal such a retreat sends to the whole State-“there's nothing in it for you to change from the comfortable but costly arrangements of the past.” So it seems to me that business leaders like you, concerned with both the macro costs of public services and the quality of education, need to let Legislators know they must stay the course on incentivizing consolidation and leaving the die-hards to pay for their own excessively expensive systems themselves.

##### B. TRANSITION COSTS.

In my view, just as is typical in many corporate mergers, the State should establish a program to assist administrative employees whose jobs are made redundant to make the

transition to other work. A part of the savings from realizing economies of scale should be plowed back into investment in those displaced.

A consistent policy of early retirement eligibility, health care insurance continuity, relocation and retraining expense reimbursement, employment preference in new programs, and other severance benefits should be an integral part of any long term restructuring initiative.

C. TEMPLATES.

It also seems to me that the State should take the leadership to make consolidation easier for school administrators and town officials, by developing standardized templates for how to merge various components of a district's operations, and providing expert advice, perhaps from school leaders in districts that have already gone through the process especially successfully.

D. ANALYSIS.

Finally, we should set aside a small fund to support research on the actual financial and academic performance changes in districts that have recently merged, to encourage benchmarking and adoption of best practices, as one would expect in any serious merger.

II. STUDENT TEACHER RATIOS.

A. TRANSITION COSTS.

As with administrative personnel, the best way to get back to student/teacher ratios on the order of those we experienced just a decade ago, 14:1, is to adopt a program to ease the transition for those displaced, including the same kind of early retirement, health care continuity, relocation and retraining suggested earlier. The hundreds of millions that could be saved by going back to the earlier ratio would provide ample funds for a decent and compassionate program for those leaving through no fault of their own.

B. PRE-K CLASSES.

We have heard a great deal in this gubernatorial campaign about establishing a Pre-Kindergarten grade for 4 year olds, and the benefits it would have for ultimate learning results. But not very much about how to pay for it. I think it's reasonable to conclude there is little chance of enacting such a service without a reallocation of funds from some existing program. Again, the savings from reestablishing reasonable ratios would leave sufficient funds to establish the new program, which has been estimated at some \$55 million per year, and provide an opportunity for re-employment for a considerable number of the teachers thus displaced.

III. SPECIAL EDUCATION.

On the issue of special education, for children with disabilities, it is extremely difficult to make any changes when the heartfelt compulsion of parents to do whatever seems best for their children is compounded by the current financial incentives for districts to designate kids for special ed resulting from higher reimbursement rates from the State. But the current "system"

is characterized by wide swings among districts as to what percentage of the population is designated, for example, Lubec has 27% in special ed, while nearby Jonesport has just 5%, and the peculiar concentration of various types of disabilities clusters geographically—so it might be one pathology that is paramount in Bangor, and a second in Portland, and something else again entirely different in Lewiston. In other words, consistency with respect to eligibility varies widely and seemingly arbitrarily.

A. FOLLOW FEDERAL GUIDELINES.

Last year, Commissioner Gendron attempted to rationalize this sprawling and expensive problem, by proposing that Maine adhere to federal guidelines for determining eligibility, a reform that she estimated could save some \$60 million a year. But her initiative was ultimately shot down in an emotional debate in the Legislature.

Again, this program has just grown without any overarching, consistent philosophy from place to place and in the current financial vice, the Legislature really ought to revisit its decision.

B. SERVICE DELIVERY MECHANISMS.

Districts should be incentivized to find economies for delivering services to kids in need of special ed by joining together to operate programs for children with diagnoses in common, regardless of their jurisdictional boundaries. I am sure there are many other reforms we could undertake by learning from and applying best practices both here in Maine and nationally. The potential for standardization of criteria for eligibility, consolidation of programs, consistency of diagnoses, and using alternative educational methods—so well illustrated by the Masonic Temple programs in Bangor and Portland—suggest the significant savings that could be made in this arena. The recent report of American Educational Consultants in behalf of the Portland school system has blazed a new path for inquiry, cost savings, and administrative reform in special ed in Maine.

So these are some of the long term structural reforms Maine should be tackling.

I believe Gov. Baldacci and Commissioner Gendron are doing what they can, and providing determined and brave leadership. But we will need to enlist the interest and support of both the next set of political leaders and more stakeholders, including those of you in this room, to truly get to a sustainable, efficient and results-oriented K-12 system for the long term.

HIGHER EDUCATION.

Finally, I will turn for a moment to the issues of higher education. This always seems to get short shrift in any consideration of our overall education picture, even though the public university system is a \$650 million dollar a year organization serving more than 33,000 students and employing more than 5,000 people full time. And our other system, the Community Colleges, also is a sizable enterprise—at \$51 million, serving more than 16,000 students with 872 employees. (NCND, map showing Maine's HE footprint p.8).

But this sector does not get the same share of public spending commitment as K-12. Maine ranked 43<sup>rd</sup> among the states in per capita expenditures on HE, compared to a national average of \$643. (CQ 2009 p.145) And as a share of overall public spending, we ranked 44<sup>th</sup> at 7.2%, compared to the national average of 9% (CQ 2009, p.146). Moreover, we are on a downward trend here as higher ed is typically an early target of spending cuts by governments in crisis. Thus the State appropriation for the University has dropped from \$183 million to \$170 million in the last year, and the Community Colleges have been nicked for \$1.7 million.

In my view, it is a wise policy to maintain our investments in the MCCS to the extent possible—we still trail the nation in the percentage of the population enrolled in associate degree programs (1% vs.3% nationally), while the ability of the community colleges to efficiently deliver services responsive to the changing needs in the job market make it one of the best tools available to us for economic development.

Still there remains the question of whether we are getting the most out of the money we do invest in higher ed. That was the mandate of the Task Force I chaired last year called “New Challenges, New Directions” to look at the university’s projected structural deficit.

#### WHAT WE FOUND.

The Task Force met for 5 months, and made extensive inquiries into the operations of the system and how it compared to others around the country. It’s a 69 page report, but among our major findings were that there are:

1. A fragmentation of available resources;
2. A nebulousness in the stated missions of the 7 campuses;
3. Little differentiation among the campuses in what they offered;
4. Intense internecine competition for recruiting students among the campuses; and
5. Multiple, uncoordinated Distance Education courses offered by several of the campuses.

In other words, structural deficiencies that kept us from making the most efficient use of the resources entrusted to the system. These inefficiencies are resulting in both higher costs for students, less timely availability of courses, and thus reduced access to higher education, in a state where only 16 of every hundred high school students are going to attain a bachelor’s degree. (MCEE “High School Achievement”), and, as we discussed earlier, Maine is slipping backwards.

#### OUR RECOMMENDATIONS.

The Task Force unanimously recommended that the University System:

1. Take leadership in establishing a set of overarching public education goals relating to increasing attainment and proficiency levels and relating our offerings to the needs of the economy, which we called “the public agenda;”
2. Act as a System rather than a loose confederation, setting state-wide priorities for resource allocation, rather than relying on a rigid formula set in stone in 1969;

3. Seek further economies of scale from our System-wide Services, but add more accountability to the end-use customers;
4. Reduce program duplication among campuses, and rely more on a coherent, directed system of Distance Education;
5. Plan to relate courses to areas of economic need;
6. Optimize pricing and recruiting strategies; and
7. Increase collaboration between the University and the Community College Systems.

One thing we did NOT recommend, to the astonishment of people south of Augusta, was the elimination of the campuses at Ft. Kent, Presque Isle and Machias, which will need some transformation, but serve as economical centers for service delivery under current circumstances.

What will happen next? The Trustees have adopted nearly all our recommendations, and the Administration has developed an elaborate work plan for implementing these reforms. But the jury is still out on what changes will actually be made-perhaps the continuing budget pressure will force meaningful change in our HE system-Maine needs that as well as getting to the hard issues of structural reform at the K-12 level.

This is all a tremendously challenging agenda, but let's face it, a financial crisis is a terrible thing to waste.

In closing I want to acknowledge and thank the many people who generously shared their time and expertise in the development of this paper, including my sister, Lisa Flanagan, who has children using some of the services I have discussed; Jeanne Gulliver, former chair of the State Board of Education; Laurie Lachance, Executive Director of the Maine Development Foundation; Charles Lyons, President of YCCC; Yellow Light Breen, Chair of the Maine Coalition for Excellence in Education; Jim Rier of the Dpt. Of Education; Prof. David Silvernail of USM; Ryan Neale of MDF who provided much needed technical assistance, and many others. Needless to say, they are not responsible for my analysis or conclusions.

Thank you.

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