

**Review of
Employee Benefits Percentages in the Essential Programs and Services
Model**

**David L. Silvernail
Director**

**James E. Sloan
Research Associate**

**Maine Education Policy Research Institute
University of Southern Maine Office**

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Model: Mid-Cycle Monitoring and Review**

D.L. Silvernail

J.E. Sloan

The Essential Programs and Services (EPS) model of education costs is employed in determining the cost allocation for each School Administrative Unit (SAU) in Maine. The resulting cost allocations are, in turn, applied to the funding formula to determine General Purpose Aid to schools. Employee benefits were approximately \$237 million statewide in 2004-05, not counting contributions made by the State to the Maine State Retirement Fund for teacher pensions (which amounted to an additional \$182 million in the same year). SAU benefits costs for school personnel are accounted for in EPS using the concept of employee benefits percentages—that is, the cost of employee benefits as a percentage of the cost of employee salaries and wages. The EPS School Personnel component includes a benefits percentage for each of the EPS school staff categories. The current EPS benefits percentages are listed in the Table 1 below.

Table 1: Benefit Percentage by School Staff Category

EPS School Staff Category	EPS Benefits Percentage
Teachers, Guidance/Counseling, Library and Health Staff	19%
Education Technicians and Media Assistants	36%
School Administrators	14%
Clerical Staff	29%

The staff data required to update the EPS benefits percentages is not available every year, and has been collected during triennial surveys of SAU expenditures on EPS cost components. The most recent survey was conducted in the fall of 2004. The next cycle is scheduled for the fall of 2007, and calls for updating the EPS benefits percentages using data that will be collected by the Maine Department of Education as part of the annual SAU reporting process using MEDMS.

In the interim, the Maine State Department of Education and Maine Education Policy Research Institute (MEPRI) have been monitoring the continued appropriateness of the current

EPS benefits percentages by examining financial data that is available annually. Specifically, changes in benefits percentages by accounting function were calculated. The results are presented in Table 2.

Table 2: Employee Benefits Percentages by Function

Function	Computed Benefits Percentage		
	2003-04	2004-05	Change
Instruction (Teachers, Substitute Teachers, Teacher Aids and Assistants)	19.7%	20.5%	+0.8%
Support (Guidance, Health, Etc.)	21.1%	22.1%	+1.0%
School Administration (Principal's Office, Including both Administrators and Clerical)	18.7%	19.4%	+0.7%
All School Functions (Excludes System Functions)	19.8%	20.6%	+0.8%

Examining Table 2, there were slight increases of 1% or less in the benefits percentages by function, as may be seen in the rightmost column. However, the benefits percentages by function cannot be used directly in the EPS cost model because EPS relies on job classification rather than function in determining benefits percentages, and each function contains more than one staff category. The financial data by function includes employee pay for part-time employees and employees without benefits. The EPS model is based on full-time employees with benefits. As such, the rates implied by the financial data will generally be lower overall than the EPS benefits percentages. Furthermore, the changes in the benefits percentages by function may be attributable to a number of factors: a change in the number of part-time employees or employees not receiving benefits, changes in the mix of job classifications, or other changes. Therefore, the following steps are recommended:

- Continue using current EPS benefits percentages,
- Continue to monitor overall benefits percentages by function using financial data,
- Carry out a complete review of the EPS benefits percentages when complete staff salary and benefits data by job classification is available on MEDMS.