Recommended EPS Updates per LD 318: Findings and Cost Estimates

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LD 318: Purpose and Background

Why are we here?

- **Legislative Directive:** LD 318 intent to update and modernize school funding formula.
- **Core Goals:** Ensure the EPS model accurately reflects the actual minimum costs for Maine schools today, and improve fairness in distributing subsidy.
- **Context:** These recommendations build on the foundational findings of the June 2025 EPS report.
- The simulations prepared by MDOE are **ESTIMATES generated using FY2026 parameters**.

Overview of Recommendations

1. **Regional Adjustment:** Aligning indices with the salary matrix, based on minimum (not average) salaries.

2. **Modify "Ability to Contribute" basis:** Factoring community poverty into local mill rate expectations (aka "90/10" method)

3. **Model Adequacy:** Updating transportation, tech, and instructional staff support to current needs.

4. **Special Education:** Move toward a regionalized support model (IEUs), and transition steps to curb inequities.

Background / Refresher

EPS has 3 elements that work together to determine school staff costs:

- Ratios (Section 1 of ED279 report)
- Salary Matrix
- Regional Adjustment

Salary Matrix & FY24 Update

FY 24 SALARY MATRIXES

SALARY MATRIX for Teachers, Guidance/Social Workers, and Librarians

Years of Experience	BA only	Education Category			
		BA+15 BA+30	MA or MA+15	MA+30 or CAS	Doctorate
<1	1.00	1.07	1.16	1.28	1.28
1-5	1.05	1.12	1.21	1.33	1.33
6-10	1.17	1.25	1.33	1.45	1.45
11-15	1.34	1.42	1.50	1.62	1.62
16-20	1.49	1.57	1.65	1.77	1.77
21-25	1.61	1.69	1.77	1.89	1.89
26-30	1.67	1.75	1.83	1.95	1.95
31+	1.71	1.78	1.87	1.99	1.99

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LITERACY SPECIALIS
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TITLE I TEACHER
ENGLISH LEARNER T
SCHOOL SOCIAL WOI
DIRECTOR OF GUIDA
GUIDANCE COUNSEL
LIBRARIAN/MEDIA SPI

Years of Experience	BA only	Education Category			
		BA+15 BA+30	MA or MA+15	MA+30 or CAS	Doctorate
<1	40,000	42,800	46,400	51,200	51,200
1-5	42,000	44,800	48,400	53,200	53,200
6-10	46,800	50,000	53,200	58,000	58,000
11-15	53,600	56,800	60,000	64,800	64,800
16-20	59,600	62,800	66,000	70,800	70,800
21-25	64,400	67,600	70,800	75,600	75,600
26-30	66,800	70,000	73,200	78,000	78,000
31+	68,400	71,200	74,800	79,600	79,600

Regional Adjustment Design

Original intent – a regional adjustment is needed to afford equal staffing ratios in different labor markets.

- Below-average labor markets (e.g. Machias, Sebago Lake, Augusta, Bucksport LMAs) need less than the average. If expected to raise more, the local expectation is inflated.

- Above average labor markets (e.g. Bangor, Biddeford, Boothbay, Portland LMAs) need more than the average to cover salary costs

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Problem 1: Need to update

Current indices are **outdated and unfair** to many regions.

Described in detail in 2025 work & report:
- Lack of updates, "deferred maintenance"
- Gap in actual salaries has spread over time, which means more "winners and losers" and greater taxpayer impacts in an update.
- Reports of inadequate salaries & teacher turnover analyses suggest teacher labor markets are under stress.

Proposed new direction: Cost of Living (CoL)

When EPS was implemented, geographic cost of living measures were not available for all areas of Maine. There are now suitable options that cover all Maine counties; we recommend the MIT Living Wage Calculator.

Pro	Con
- Cost of living is one of the strongest salary cost drivers. - Narrower range of adjustments - Good correlation to actual salaries - Automatic updates can be tied to an external index.	Excludes other supply and demand factors for teacher salary market prices

Problem 2: Misalignment to salary matrix

Regional index values are intended to work with **average** salaries, but the teacher salary matrix is now based on the state **minimum**.

- New finding; not in June 2025 report
- Recent review of the salary matrices found that the average teacher salary in FY24 was 44,970
- By increasing the base salary to 40,000 (statewide minimum) the matrix became a minimum and not an average.
- Regional adjustments need to increase for use with a "minimum" framework

Recommendation 1: Regional Adjustment Reindexing

Proposal: Implement a **1.00 index minimum**.

- Redefines the regional adjustment to conform to a minimum salary matrix system.
- Shift from salary basis to cost-of-living to mitigate challenges in low-salary areas, and ease data updates
- County-based regions will mean some shifts, narrower range across the state.

Fiscal Impact of Reindexing

- **Total State Investment:** ~$37.4 Million increase.

- 179 SAUs would see increased allocation and subsidies.

- Only one LMA (Skowhegan) has a modest decrease in allocation.

Transition for Reindexing

If $38M is too rapid, can partially implement.

E.g. MEPRI & MDOE prepared an option with a simulated $16M state cost.

June 2025 Report

- Residents in some towns have high property values but do not have the income to match.
- Incorporating income into EPS will provide more subsidy to lower-wealth areas.
- Adjusts the mill rate expectation: lower-income areas will be required to raise less toward EPS costs.
- Various income measures studied, student econ disadv rate is better than others.
- Maine has individual-level tax relief programs; these could also be expanded.

- **Proposed Change:** Adjust the local mill rate expectation based on student economic disadvantage rates.
- 90% is from the state-determined mill rate expectation constant; 10% is derived from the econ disadv rate.
  - Also looked at 95/5 and 50/50
- This is different from the approach attempted in the 1990s (that had unintended consequences)
- 3 examples to follow

Fiscal Impact of 90/10

- **Impact:** Shifts ~$13M in subsidy to high-poverty communities

- No overall change to state budget

- Works well to implement alongside Recommendation 1 (Reindexing). By itself it would result in significant impacts for some SAUs.

SAU Subsidy Changes from 90/10

		Mill Rate Exp.			Local share %		
SAU	% Poverty	Actual		Sim	Actual		Sim
Higher Poverty							
Portland	58%	6.10	↓	5.97	84%	↓	82%
Machias	69%	6.10	↓	5.84	30%	↓	29%
Lower Poverty							
Yarmouth	16%	6.10	↑	6.45	63%	↑	67%
Glenburn	31%	6.10	↑	6.28	33%	↑	34%
Minimum contributor (any poverty rate)							
York	22%	3.49	↔	3.49	85%	↔	85%
Frenchboro	100%	3.84	↔	3.84	72%	↔	72%

90/10 Model Ability-to-Contribute

Recommendation 3: Updating Model Parameters

Transportation: Resetting funding to match actual costs (removing COVID-era growth caps). Streamline data collection.

Estimated State Share: $6.9M

Instructional Technology & Instructional Staff Support: Increasing per-pupil tech allocations; offset by decrease in supplies & equipment.
No net cost.

Tiered Economic Disadv (Poverty) Weights

The "Peer Effect": Schools with high percentages of low-income students have a steeper hill to climb; require proportionally more resources to support increased student needs.

Proposed Weighted Funding:

- **Variable Weights:** 0.15 to 0.35 per pupil (replacing the flat weight).
- **Estimated State Share:** $11.4 Million.

Recommendation 4: Special Ed Regionalization

Problems: As detailed in June report, the spending and practices in special education are highly variable and therefore difficult to determining adequacy. The Step 6 (expenditure-based) adjustment is inequitable.

The Long-Term Strategy: Shift some aspects of Special Education regional centers for age 5-22 services. Specifics (WHAT and HOW) would need to be decided.

Winter 2026 Report on Regionalization is pending

Recommendation 4: Special Ed Regionalization

Funding Implications

Regionalization plans need to be developed before the funding framework can be modified.

- Some modest cost savings are possible, but not guaranteed in short term.
- Flow of funding would change for some services that move to regional control.
- Some current resources can be shifted (e.g. $24M in min contributor adjustments, lowering Step 6 allocations)

Recommendation 4: Special Ed Regionalization

Transition Steps (2025 Report):

- Lock in the current Step 6 adjustments; do not continue to escalate.
  - Consider reducing with a collar (e.g. 80% of gap).

- Discontinue spring adjustments for out-of-district costs; not statutory, may incentivize more restrictive placements

- Adjust hardship criteria to be more responsive to unexpected / unmanageable mid-year costs

Overall Conclusions and Next Steps

Potential Total Investment: ~$55.7M increase in state share for 1, 2 & 3 (excluding any Special Ed shifts).

Next Milestone: Regional Special Education report (Feb/March 2026).
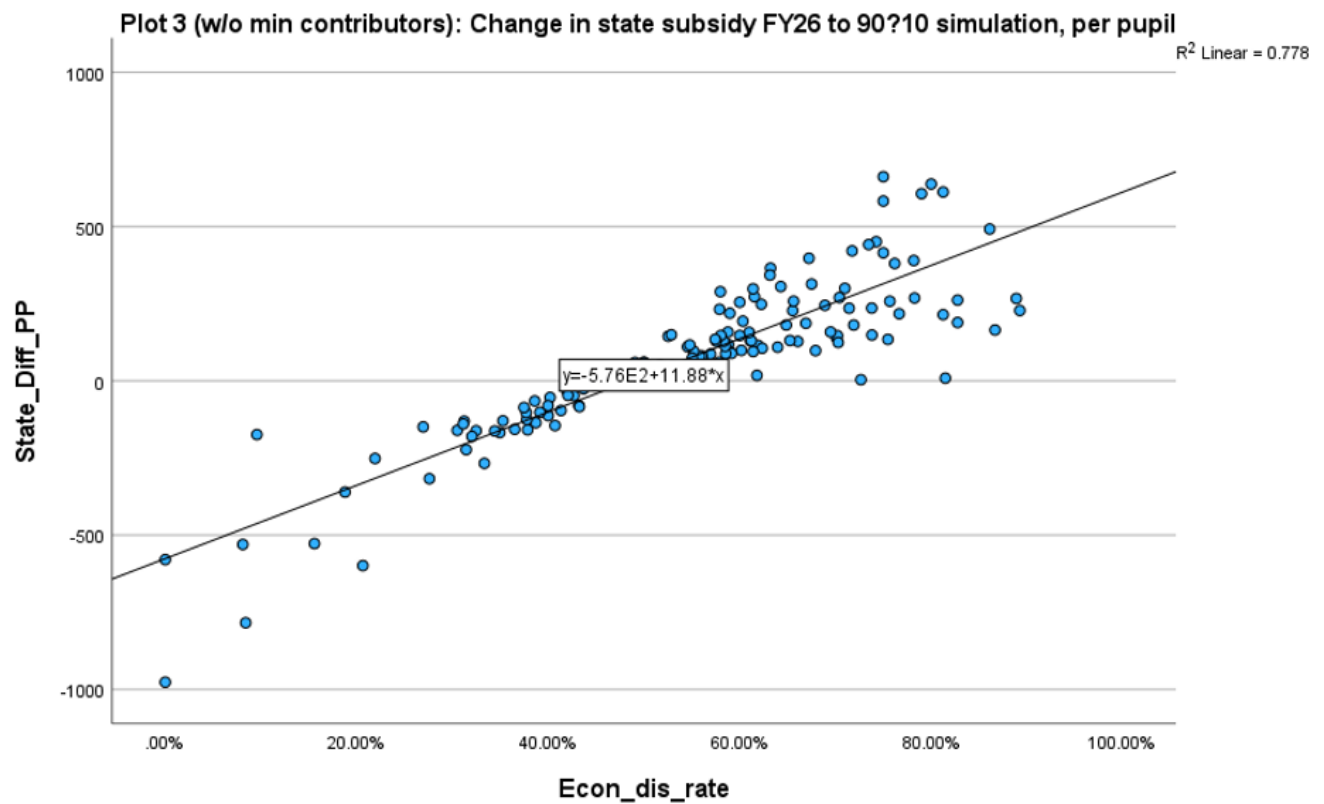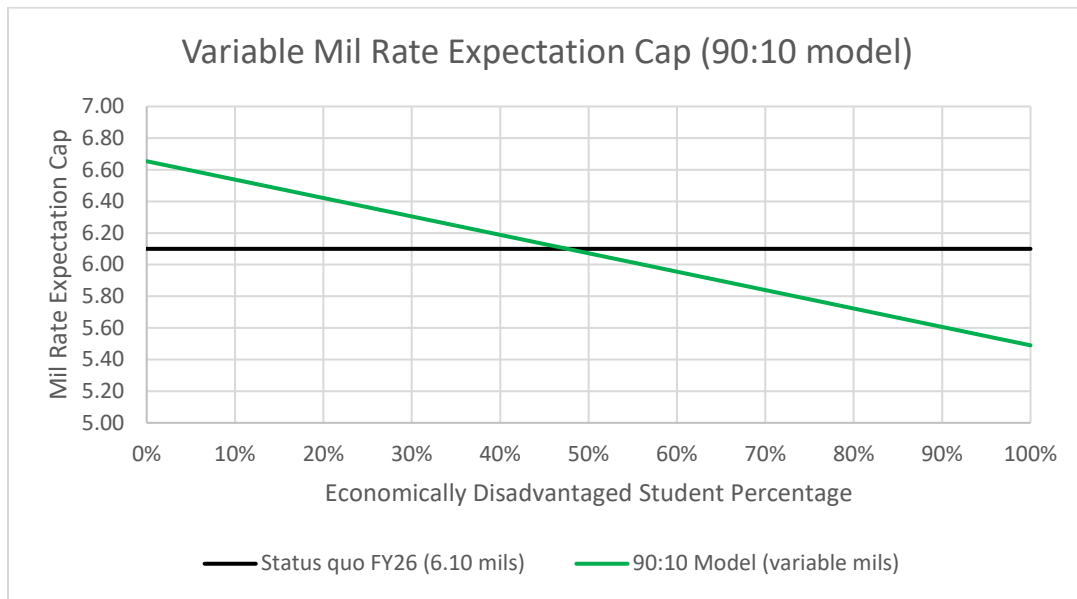
Next Steps:

- Regional adjustment reindex: requires statute change and additional funding
- Decision on ability to contribute "90/10" modification (best if accompanying reindexing). Requires statute change; no new funding.
- Increases in transportation and econ disadv per Rec. 3: require statute changes and additional funding

Regional Adjustment Re-Index by LMA & County

	Labor Market Area (LMA)	Current Adj	County	Cost of Living Re-Index
8	Lewiston - Auburn LMA	0.98	Androscoggin	1.01
34	Fort Kent LMA	0.99	Aroostook	1.00
28	Houlton LMA	0.88		
35	Madawaska LMA	0.99		
32	Presque Isle - Caribou LMA	0.90		
33	Van Buren LMA	0.99		
4	Greater Portland LMA	1.08	Cumberland	1.18
7	Sebago Lake LMA	0.94		
5	Bath - Brunswick LMA	1.02	Cumberland / Sagadahoc	1.18, 1.10
24	Farmington LMA	0.96	Franklin	1.00
15	Bucksport LMA	0.94	Hancock	1.08
20	Ellsworth - Bar Harbor LMA	0.93		
11	Stonington LMA	0.95		
12	Augusta LMA	0.95	Kennebec	1.01
13	Waterville LMA	0.97		
9	Rockland LMA	1.00	Knox	1.03
6	Boothbay Harbor LMA	1.03	Lincoln	1.08
10	Norway - Paris LMA	0.94	Oxford	1.00
22	Rumford LMA	0.93		
17	Bangor LMA	1.02	Penobscot	1.03
23	Lincoln - Howland LMA	0.86		
27	Millinocket - East Millinocket	0.88		
21	Outer Bangor LMA	0.89		
26	Patten - Island Falls LMA	0.88		
19	Dexter - Pittsfield LMA	0.94	Penobscot / Somerset	1.03, 1.00
29	Skowhegan LMA	1.03	Somerset	1.00
31	Dover - Foxcroft LMA	0.95	Piscataquis	1.00
30	Greenville LMA	0.95		
14	Belfast LMA	1.01	Waldo	1.05
25	Calais LMA	0.96	Washington	1.00
16	Jonesport - Milbridge LMA	0.84		
18	Machias - Eastport LMA	0.84		
3	Biddeford LMA	1.09	York	1.15
1	Kittery - York LMA	1.06		
2	Sanford LMA	1.03		
	Lowest	0.84		1.00
	Highest	1.09		1.18

MEPRI (2/3/2026)

Variable Mil Rate Expectation Cap (90:10 model)

Plot 3 (w/o min contributors): Change in state subsidy FY26 to 90?10 simulation, per pupil

R^2 Linear = 0.778

$y=-5.76E2+11.88*x$

90/10 Model Ability-to-Contribute		Mill Rate Exp.			Local share %		
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