

WRITTEN TESTIMONY

LD 2226 — An Act to Amend the Essential Programs and Services School Funding Formula
Joint Standing Committee on Education and Cultural Affairs | 132nd Maine Legislature, Second Regular Session

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| Submitted By | Jason, Co-Founder, Dirigo Strategic Advisors |
| Organization | Dirigo Strategic Advisors — Independent Budget Analysis, Purpose-Built Tools & Professional Training for Maine's Schools, Municipalities & Public Sector Organizations |
| Website | dirigostrategicadvisors.com |
| Date | March 2026 |
| Position | Neither for nor against — requesting decoupling of provisions and prior fiscal impact modeling |

I. Introduction and Organizational Background

Dirigo Strategic Advisors is a Maine-based consulting firm providing independent budget analysis, purpose-built analytical tools, and professional training to Maine's schools, municipalities, and public sector organizations. Our work includes direct analysis of school administrative unit (SAU) budgets using Maine Department of Education ED279 data, comparison of actual district spending against EPS formula allocations, and financial oversight consulting for school boards and municipal governments.

We submit this testimony neither in support nor in opposition to LD 2226 as a whole. Rather, we urge the Committee to consider the provisions of this bill on their individual merits, and to require the Department of Education to model and publicly disclose the cumulative fiscal impact of the bill's special education provisions on Maine's smallest and most financially vulnerable school administrative units before any final vote is taken.

II. The Data Context: Maine's School Finance Challenge

The following findings from our ongoing analysis of Maine school finance data provide the context in which LD 2226 must be evaluated.

| Finding | Data Point | Source |
|-------------------------------------|---|--|
| State ELA Proficiency (Grades 3–8) | 65.1% of grades 3–8 students met reading expectations in 2025 — down from 66.6% in 2024. Nearly 35% of Maine students are not meeting the state's own ELA standard. | <i>Maine Through Year Assessment (MTYA) 2025</i> |
| State Math Proficiency (Grades 3–8) | 50% of grades 3–8 students met math expectations in 2025 — meaning half of Maine students are not meeting the state's own math standard. | <i>Maine Through Year Assessment (MTYA) 2025</i> |

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| MTYA Trend | ELA proficiency has declined in the two years since the current assessment was introduced (66.6% → 65.1%). The assessment has changed three times since 2016, limiting long-term comparisons. | <i>Maine DOE MTYA Data 2023–2025</i> |
| Per-Pupil Spending | Risen from ~\$10,500 to over \$20,000 per student over two decades — costs have increased while proficiency rates have not kept pace. | <i>Maine DOE Annual Data</i> |
| Statewide Spending Range | Per-pupil spending ranges from below \$15,000 in some districts to above \$27,000 in others — a gap of more than \$12,000 per child driven by local property wealth, not student need. | <i>Maine DOE ED279 — Dirigo Strategic Advisors Analysis</i> |
| Local Funding Dependence | The EPS formula requires local communities to fund roughly 45% of EPS costs. Most districts spend significantly above that floor — MEPRI found districts collectively raised ~\$600M above EPS — meaning the true local property tax burden is higher still. This above-formula spending is evidence of formula inadequacy, not local generosity. | <i>Maine DOE EPS Formula; MEPRI Findings, 2025</i> |
| Rural Transportation Premium | Rural SAUs spend 40–60% more per pupil on transportation than suburban SAUs | <i>Maine DOE Transportation Reports</i> |
| Teacher Salary | Maine average: \$60,391 — 28th nationally | <i>NEA Rankings & Estimates 2023–24</i> |
| Teacher Vacancies | 900+ vacancies statewide in 2023–24 school year | <i>Maine DOE Educator Workforce Report</i> |
| SAU Size | More than half of Maine's ~260 SAUs enroll fewer than 1,000 students | <i>Maine DOE Enrollment Data 2024</i> |
| Out-of-District Placement Costs | Private placements: \$80,000–\$200,000+ per student per year | <i>Maine DOE Special Education Finance Reports</i> |

These figures present a clear and troubling picture. Maine's own state assessment — the Maine Through Year Assessment, which measures every student in grades 3 through 8 — shows that nearly 35% of students are not meeting reading expectations and half are not meeting math expectations. ELA proficiency has declined year over year in the two years since the current assessment was introduced. Meanwhile, per-pupil spending has more than doubled over two decades. Costs are rising; outcomes are not keeping pace. The formula requires local communities to fund roughly 45% of EPS costs as a floor — and MEPRI has documented that districts collectively raised approximately \$600 million above what the formula deemed necessary. That gap is not evidence of local generosity; it is evidence that the formula's floor is inadequate and that communities with greater property wealth can supplement it while lower-wealth communities cannot. The result is the statewide per-pupil spending range documented in our ED279 analysis: a gap of more than \$12,000 per child driven not by student need, but by community wealth. Any amendment to the EPS formula must be evaluated against its ability to address this structural inequity while preserving the fiscal stability that allows districts to serve their students consistently.

III. Provisions We Support

LD 2226 contains several provisions that represent genuine and meaningful improvements to the EPS formula. We support the following:

A. Pupil Density Transportation Model (Sections 5 & 16)

The bill replaces the current static per-pupil transportation rate — established in FY 2006-07 and adjusted only for inflation — with a blended model that incorporates pupil density per mile of road. This is a meaningful correction for Maine's most rural school administrative units, where transportation costs run 40 to 60 percent higher per pupil than in suburban districts, according to Maine DOE transportation reports. A formula that reflects actual road-mile geography rather than a statewide average is more equitable and more accurate. We note, however, that the 105% cap on transportation allocations relative to prior-year expenditures warrants monitoring — particularly for districts serving large populations of students experiencing homelessness, whose transportation needs are inherently unpredictable.

B. Variable Weight for Economically Disadvantaged Students (Section 6)

Replacing the current fixed weight with a variable range of .15 to .35 — scaled to the concentration of poverty within each SAU — is the most consequential equity reform in this bill. Our ED279 analysis documents a statewide per-pupil spending range of more than \$12,000 between the lowest and highest-spending districts in Maine, with some communities spending below \$15,000 per student and others exceeding \$27,000. This disparity is not driven by differences in student need — it is driven by differences in local property wealth. The EPS formula requires local communities to fund roughly 45% of EPS costs, and MEPRI has documented that districts collectively raised approximately \$600 million above what the formula deemed necessary. That above-formula spending is not local generosity — it is evidence that the formula's floor is inadequate and that communities with greater property wealth are able to supplement it while lower-wealth communities cannot. A dynamic weight responsive to poverty concentration is the appropriate mechanism to begin closing that structural gap. We recommend the Committee shorten the index update cycle from five years to three, as Maine community demographics can shift significantly within a five-year window.

C. Income Index in Local Contribution Calculation (Sections 19 & 20)

Adjusting a municipality's required local contribution by an income index — rather than relying solely on property fiscal capacity — corrects a longstanding structural flaw in the formula. Property value is an imperfect and often misleading proxy for a community's actual capacity to fund education. Communities with high poverty concentrations can carry significant commercial or residential assessed value that does not translate to household income. This provision is strongly supported.

D. Cost-of-Living Regional Adjustment (Section 18)

Aligning the regional adjustment to a nationwide cost-of-living index and anchoring it to the teacher salary matrix directly addresses Maine's teacher recruitment and retention crisis. At \$60,391 — 28th nationally per the National Education Association — Maine's average teacher salary leaves districts in higher-cost areas unable to compete. Ensuring the minimum index value is sufficient to meet the statutory minimum teacher salary is a sound structural safeguard. We request that the index selection methodology be published and subject to public comment.

IV. Provisions Requiring Scrutiny: The Cumulative Special Education Risk

Our primary concern with LD 2226 is not any single provision, but the cumulative effect of four special education provisions enacted simultaneously. Read together, Sections 13 (partial), 14, 15, and 21 eliminate every financial safety valve currently available to Maine SAUs facing unexpected special education costs — all effective in the same fiscal year, FY 2027-28.

A. Removal of High-Cost In-District Special Education Allocation (Section 13)

The bill increases the special education prevalence threshold from 15% to 17% — a genuine improvement that reduces the fiscal cliff risk for small SAUs. However, bundled within the same section is the complete removal of the additional allocation for high-cost in-district special education placements. Students whose in-district costs exceed three times the statewide EPS per-pupil rate will no longer generate any additional formula support.

The predictable consequence is a financial incentive to seek out-of-district placement — which remains eligible for high-cost support at three to four times the statewide rate — even when an appropriate in-district program exists. Out-of-district placements are almost universally more expensive to the system and more disruptive to students. This provision also raises potential compliance concerns under the Individuals with Disabilities Education Act's Least Restrictive Environment requirement. We strongly recommend these two changes be decoupled: enact the threshold increase; do not remove the in-district allocation without a replacement mechanism.

B. Maintenance of Effort Adjustment Cap (Section 14)

Beginning in FY 2027-28, the bill caps each SAU's MOE adjustment at 80% of the difference between its base special education allocation and its prior-year actual expenditures. This cap compounds the effects of Maine's declining enrollment. As headcounts fall — Maine's public school enrollment is approximately 4% below pre-pandemic levels and continuing to decline in many rural areas — base allocations compress. Special education costs, however, are largely inelastic: students with disabilities retain their service needs regardless of district enrollment trends. The 80% cap applied to an already-compressed base difference leaves declining-enrollment SAUs structurally underfunded. We recommend calculating the cap against a three-year rolling average base rather than a single prior year.

C. Elimination of Midyear Out-of-District Special Education Adjustments (Section 15)

This is the highest-risk provision in the bill for school boards and local taxpayers. Under current law, when a student is unexpectedly placed in an out-of-district special education program mid-year — through a due process settlement, a court order, or an emergency IEP determination — the Department of Education can provide midyear funding relief. This bill eliminates that mechanism entirely, with no replacement.

Out-of-district special education placements are, by definition, not foreseeable at budget time. Private placements cost \$80,000 to \$200,000 or more per student annually. For an SAU with a \$4 million total operating budget, a single unexpected placement represents a 2% to 5% mid-year budget gap. School boards cannot legally refuse court-ordered placements. Without a midyear relief pathway, districts will face emergency budget actions, program cuts, or deficit spending — all of which harm other students. We oppose this provision without the simultaneous creation of a replacement relief mechanism.

D. Special Education Budgetary Hardship Threshold: 5% to 10% (Section 21)

The bill doubles the threshold a SAU must meet to petition for special education budgetary hardship relief — from a 5% to a 10% increase in special education's share of total budget. For Maine's smallest SAUs, where special education often represents 20 to 30% of total operating budget, a 10% swing in that share represents a severe fiscal event. These are precisely the communities with the least fiscal cushion and the highest exposure to a single unexpected placement.

Read alongside Sections 13, 14, and 15, this provision completes the simultaneous closure of all four special education financial safety valves. The cumulative exposure transferred to local property taxpayers in Maine's most financially vulnerable communities has not, to our knowledge, been modeled or publicly disclosed. We recommend the Committee require that modeling before any final vote, and consider an enrollment-scaled threshold — lower for smaller SAUs — rather than a flat statewide standard.

V. Specific Request to the Committee

We respectfully request that the Committee take the following actions:

- **Separate the equity-improving provisions** (the variable economically disadvantaged weight, income index, regional adjustment, and transportation density model) from the special education funding reduction provisions (Sections 13 partial, 14, 15, and 21). These are distinct policy choices and should not be subject to a single up-or-down vote.
- **Require the Department of Education to model and publicly disclose the cumulative fiscal impact** of Sections 13, 14, 15, and 21 together on SAUs with fewer than 1,000 students — specifically: how many districts would be fully unprotected from an unexpected high-cost placement under all four provisions simultaneously, and what the estimated local tax burden would be.
- **Amend Section 15** to retain a midyear adjustment mechanism — even if capped — rather than eliminating it entirely.
- **Amend Section 21** to apply an enrollment-scaled hardship threshold rather than a uniform 10% standard.
- **Amend Section 6** to shorten the economically disadvantaged index update cycle from five years to three.

VI. Closing Statement

Maine's school finance formula has real structural problems that LD 2226 rightly attempts to address. The equity provisions in this bill — the variable poverty weight, the income-adjusted local contribution, the cost-of-living teacher salary adjustment, and the pupil density transportation model — represent meaningful progress toward a formula that better reflects the true cost and true capacity of Maine's communities.

We are concerned, however, that these improvements are bundled with the simultaneous elimination of every financial protection Maine's smallest school districts have for unexpected special education costs. More than half of Maine's approximately 260 SAUs serve fewer than 1,000 students. These communities have the least fiscal cushion, the least administrative capacity, and the most to lose if the cumulative impact of Sections 13, 14, 15, and 21 proves as severe as our analysis suggests it may be.

The students reflected in Maine's own state assessment data — the nearly 35% who are not yet meeting reading expectations and the half not yet meeting math expectations — deserve a funding formula that is both more equitable and more stable than the one we have today. LD 2226 can be that formula. We urge the Committee to take the time to model the cumulative impact, decouple the provisions where appropriate, and ensure that Maine's students and communities are not asked to absorb risks that have not yet been measured.

Respectfully submitted,

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