



Testimony Neither for Nor Against LD 2226:

“An Act to Amend the Essential Programs and Services School Funding Formula”

Senator Rafferty, Representative Murphy, and distinguished members of the Joint Standing Committee on Education and Cultural Affairs, my name is Montana Towers, and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, nonprofit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to submit testimony neither for nor against LD 2226, “An Act to Amend the Essential Programs and Services School Funding Formula.”

Raising Special Education Prevalence Threshold from 15% to 17%: Oppose

MPI opposes this provision because raising the special education prevalence threshold from 15 percent to 17 percent would increase the number of students funded at the higher weight in the EPS formula, thereby increasing state education spending. While special education services are important, MPI opposes this change because it expands the formula without addressing the underlying drivers of special education costs or improving accountability in how those funds are used. The prevalence threshold was originally designed to reflect an estimated average rate of special education identification while discouraging over-identification and unchecked cost growth. Increasing the threshold weakens that guardrail by shifting more costs onto the state formula rather than encouraging structural reforms that could control expenses and improve service delivery. Instead of expanding formula funding, policymakers should focus on improving transparency in special education spending, encouraging innovative service models, and addressing administrative inefficiencies that drive costs.

Variable Weight for Economically Disadvantaged Students: Oppose

MPI opposes this section of the bill because it replaces the existing straightforward additional funding weight for economically disadvantaged students with a vague new variable weight ranging anywhere from 0.15 to 0.35 that will be determined by an index that has not even been developed yet by an unspecified “statewide education policy research institute.” Lawmakers and taxpayers are being asked to approve a major, open-ended increase in the EPS formula without any way to evaluate the index’s methodology, fairness, actual cost, or impact in advance. MPI believes education funding should rely on clear, transparent, and immediately verifiable metrics rather than deferring critical spending decisions to undefined future research, which only guarantees higher state expenditures with zero accountability.



Removal of “Unexpected” from the Hardship Rules: Oppose

While the Maine Policy Institute supports the bill’s decision to raise the eligibility threshold for special education budgetary hardship adjustments from 5% to 10%, we strongly oppose the removal of the requirement that these costs must be “unexpected.” By striking that single word in both places, the legislation converts a narrowly targeted emergency safety valve into an open-ended bailout program that school districts could tap for foreseeable, ongoing, or even poorly planned high-cost placements. This change removes any meaningful incentive for local administrators to anticipate extraordinary special education expenses, budget prudently, or pursue cost-saving strategies such as regional programs or early intervention. We fear that eliminating the “unexpected” standard will ultimately prove far more detrimental to Maine taxpayers and the state budget than any fiscal guardrail created by the higher threshold, resulting in higher overall spending, weaker local accountability, and a further erosion of the discipline that should govern Essential Programs and Services funding.

New Transportation Cost Model with 105% Cap: Support

MPI supports the new calculation for predicted transportation costs for school administrative units because it introduces much-needed fiscal discipline into school transportation funding. By replacing the previous system with a new predicted cost model that fairly averages a data-driven pupil density formula and recent actual spending, and then capping allocations at 105% of the prior year's inflation-adjusted costs, the bill prevents districts from dramatically increasing transportation expenses with the expectation of full state reimbursement.

This reform promotes efficiency, predictability, and accountability while protecting Maine taxpayers from unchecked growth in education spending and encouraging local districts to manage one of their largest non-instructional costs more responsibly. It also works particularly well for rural districts, as the pupil-density model accurately recognizes the longer routes and higher per-pupil costs caused by low student density across vast, sparsely populated areas of Maine.

Replacing Professional Development: Support

MPI would support the removal of the dedicated per-pupil funding previously allocated for professional development. This funding often amounts to costly and low-impact staff training programs with little proven benefit for students and replaces it with a new component for instructional staff support. This change redirects taxpayer dollars away from generic workshops and toward direct, classroom-focused resources such as instructional coaches and teacher leaders who provide ongoing, practical assistance to



improve daily teaching. MPI views this as a smarter, results-oriented use of education funds that prioritizes actual instructional quality over traditional staff training.

80% Cap on Maintenance of Effort Adjustment: Support

This change earns strong approval from the Maine Policy Institute since it finally imposes a hard cap on the “maintenance of effort” adjustment for special education spending. Beginning in fiscal year 2027-28, the DOE will limit extra state funding to no more than 80% of the difference between a district’s base special education allocation under the EPS formula and its actual spending from the prior year. This change ends the previous open-ended system that essentially gave districts a blank check for spending above the formula, replacing it with a clear incentive for districts to control costs, budget more responsibly, and operate closer to the state’s calculated amount. Uncapped maintenance-of-effort payments are a major driver of runaway special education expenses in Maine, and this targeted 80% cap represents a practical, common-sense step toward greater fiscal discipline, accountability, and protection for Maine taxpayers.

Conclusion

LD 2226 contains several provisions that move Maine’s school funding formula in a more responsible direction. Maine Policy Institute appreciates reforms which introduce needed fiscal discipline and help place guardrails around the rapid growth of special education spending. These types of measures recognize the importance of accountability and cost control within the EPS formula.

At the same time, other sections of the bill would expand special education funding within the formula. MPI believes policymakers should exercise caution when increasing funding in this area, particularly given the growing concerns about oversight and the recent findings of at least \$45.6 million in improper Medicaid payments in Maine for autism services identified by the U.S. HHS-OIG.¹ At a time when serious questions remain about how existing special education dollars are administered, the state should prioritize strengthening accountability, transparency, and cost controls before expanding the size of the funding formula.

For these reasons, while MPI appreciates the bill’s efforts to introduce spending caps and fiscal safeguards, we remain concerned about provisions that increase special education funding. Maine should focus first on improving oversight and ensuring existing resources are used effectively before committing to further growth in this

¹<https://oig.hhs.gov/newsroom/news-releases-articles/hhs-oig-audit-finds-maine-made-at-least-456-million-in-improper-medicaid-payments-for-autism-services/>



already rapidly expanding area of education spending. Thank you for your time and consideration of this testimony. Thank you.