

State of Maine
Department of Education

Testimony of Paula Gravelle, Director, School Finance, Maine Department of Education

In Support of: L.D. 2226

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

Before the Joint Standing Committee on Education and Cultural Affairs

Sponsored by: Representative Murphy

Date: March 9, 2026

Senator Rafferty, Representative Murphy, and Members of the Joint Standing Committee on Education and Cultural Affairs:

My name is Paula Gravelle, and I am here today representing the Department speaking in support of L.D. 2226, An Act to Amend the Essential Programs and Services School Funding Formula. This bill represents months of dedicated work from the Maine Education Policy Research Institute (MEPRI), the Maine Department of Education (DOE), and this legislative committee.

The framework of recommendations included in this bill addresses the core components that work together within Essential Programs and Services Funding Formula (EPS) to determine school instruction, staffing, transportation, and special education costs. The proposal includes updates to the variable weight for students identified as economically disadvantaged, the regional adjustment, special education costs, transportation costs, and the ability-to-contribute ratios. The proposed adjustments are outlined in the order in which they would occur in the formula to allow the committee to see the cumulative effect of these changes.

Our written testimony provides cross-referenced notes as to the location in the bill language as well as the simulation demonstrations from the March 3, 2026 legislative briefing. The Maine DOE also recommends that any changes that are voted out of committee are implemented for the 2028 school year budgets.

Part I: Regional Adjustment Changes

- **LD 2226, Section 18, p. 4, Lines 29-39**
- **“Simulation 1” from March 3, 2026 Report-Back**

The first step in the collection of recommendations is outlined in Section 18, which applies the MEPRI proposal for the regional adjustment changes. This important update revises the current regional adjustment, which is based on outdated labor market areas that have not been updated

since the start of the EPS model in FY 2005. While the EPS regional adjustments have remained unchanged, our municipalities and regional economies have evolved over the past 20 years.

The recommendation instead applies regional differences in the cost-of-living using state and national indices, providing a more accurate reflection of conditions at the county level rather than the broad metropolitan regions used in the previous labor market areas. Section 18 of the bill also ensures that the EPS salary matrix is sufficient to meet the statutory minimum teacher salary requirement.

Together, these changes more accurately account for the total operating costs faced by each school administrative unit and adjust the overall cost of education within the State of Maine.

Part II: Variable Mill Rate and Economically Disadvantaged Students

- **LD 2226, Sections 19-20, p. 4-5, Lines 40-42; 1-14**
- **“Simulation 2” from March 3, 2026, Report-Back**

The next step proposes a variable mill rate that is adjusted for a municipality’s ability to contribute by introducing a poverty measure, determined by the percentage of economically disadvantaged students as calculated in §15688 of Title 20-A.

This Committee is well aware of the challenges SAUs have experienced with collecting the free and reduced-price meal forms since COVID and the implementation of no-cost school meals in Maine. Historically, these forms have been the primary basis for identifying economically disadvantaged students. The Maine DOE now identifies this population using multiple measures, including direct certification data, free and reduced-price meal forms, and the alternative economically disadvantaged student form.

Analysis provided by MEPRI indicates that these combined measures more accurately reflect both the number of students experiencing economic disadvantage and a municipality’s overall ability to contribute when compared to other measures currently available.

By introducing a poverty indicator into the distribution portion of the EPS formula, communities with higher property values but also higher levels of student poverty would have their mill rate adjusted downward to account for that poverty level. This adjustment reduces the required local contribution for those municipalities.

Part III: Other Targeted, Non-Special Education Changes

- **LD 2226, Sections 4-5, p. 1, Lines 17-29 (Transportation)**
- **LD 2226, Section 6, p.1, Lines 32-41, p. 2 Lines 1-10 (Disadvantaged Student Weighting)**
- **LD 2226, Sections 7-12, p. 2, Lines 11-31 (Staffing and Instructional Costs)**

Transportation cost changes, as reflected in the language of Sections 4 and 5 in the bill update the calculation of transportation costs to be reflective of the actual cost of transporting students

in each SAU. The proposed bill language clarifies these calculations and will provide a more accurate accounting of the cost of school-based transportation. The Maine DOE has not yet provided the committee with simulations of these proposed changes but can have them ready for the work session.

Section 6 of the bill addresses the additional weight in the EPS formula for those students identified as economically disadvantaged. Currently, economically disadvantaged students are given a total additional weight. These changes instead provide a variable weight based on an index developed to assign a higher weight to school administrative units with higher percentages of economically disadvantaged students and a lower weight to those with smaller percentages.

In Sections 7 through 12, the bill proposes to align the calculations of staffing and instructional costs with the proposed changes to regional adjustment by removing obsolete sections and updating statutory references.

Part IV: Special Education Funding Changes

- **LD 2226, Section 14, p. 3-4, Lines 42-44; 1-4 (Maintenance of Effort Adjustment Cap)**
- **LD 2226, Section 15, p. 4, Lines 5-8 (High-Cost, Out-of-District Midyear Adjustment)**
- **LD 2226, Section 21, p. 5, Lines 17-42 (Budgetary Hardship Adjustment)**
- **Not part of the previous simulation modeling discussed on March 3, 2026**

Finally, there are several changes proposed for the calculation of special education costs. The Maine DOE has heard from SAUs struggling with budgetary decisions that special education costs are a primary driver of inequity. The Maine DOE supports the proposal to update the maintenance of effort to include an 80% cap. While this cap would not interfere with the federal requirements of IDEA, it would help to restrict the year-to-year growth in special education costs. This step has not yet been modeled by the Maine DOE.

Implementation Timeline

The Maine DOE recommends that any changes put forth by this committee be written to begin for the 2028 school year. As you may hear from SAUs today, the budget planning process is already well underway this year. A legislative change at this phase could cause lasting disruption to the school budget process.

Conclusion

These recommended updates more accurately reflect the true minimum costs required to operate Maine schools today and improve the fairness and equity of our funding distribution. These recommendations build upon the work of last session's LD 318 and the findings outlined in the June 2025 EPS report.

It is important to note that any fiscal estimates generated by the Maine DOE are calculated within FY 2027 parameters. We would not expect those figures to remain static from year to year, as each of the variables within the formula are dynamic and subject to change based on state and local conditions

The Maine Department of Education is in support of LD 2226 and understands that the framework proposed in the bill language may be an incremental step toward increasing equity and fairness in the funding formula. I am happy to answer any questions the Committee may have, and I will be available for work sessions on this bill.