

Education and Cultural Affairs  
Committee

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## Regional Costs and EPS

Dr. Amy Johnson, Co-Director, MEPRI  
James Sloan, Research Associate

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### LD 2286: Addressed in 5 parts

- I. Data trends
- II. State aid & local ability to pay
- III. Regional cost variation**
- IV. Special education
- V. All Other

## Scope of work

- Update of current LMAs (salary method)
- Estimate costs for update and options
- Cost scenarios run by MDOE, analyzed by MEPRI
- Exploration of other potential methods (cost of living, comparable wage index)

## Why Have a Regional Adjustment in EPS?

- EPS school personnel models rely on adequate staffing levels (personnel ratios)
- And equal staffing requires different dollar amounts in different places.
- Hence the EPS Regional Adjustment component

It is not designed to change the statewide total allocation, but rather to fund adequate staffing in all areas of the state.

## Regional adjustment in EPS

- Original intent (adequacy)
- Labor market framework (vs. Cost of living)
- Uses salary data to estimate what's needed in each region to keep up with the market
  - higher-salary regions can compete
  - lower-salary regions aren't overtaxed

## Teacher Salary Method (Labor Market Areas)

- Current EPS method
- 35 Labor Market Areas (LMAs) in 29 groups
- Index based on actual average teacher salaries within each LMA, adjusted for education and experience.
- Statewide average is set to 1.00
- In each LMA, some are above and below the index

## Salary method issues

- Lack of recommended updates = deferred maintenance
- Gap has spread over time
  - Makes proposed updates more and more dramatic
  - “Winners and losers,” taxpayer impacts
- Evidence of labor market imbalances
  - Reports of inadequate salaries (hiring issues)
  - Teacher turnover analyses
  - Our labor markets aren’t working great.
- Results of recent index update - once again growing gap

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## Update Scenario Analysis Findings

- Final report will have appendix with SAU-level detail.

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## Regional Adjustment Scenarios Analyzed

Five Selected Scenarios Run by MDOE:

Baseline. Status Quo, 2004-05 data

S1. No Adjustment (All 1.00)

S2. Update salary data

S3. Updated data, Floor 0.93 (no ceiling)

S4. Updated data, Floor 0.93 & soft cap 1.09\*

\*Soft cap applies to 2 LMAs

## Modifications Examined Previously (2019, 2021)

Status Quo Modifications (est. allocation cost)

- Floor: 0.90 (\$2m); 0.93 (\$4m) 0.95 (\$7m)  
1.00 (\$24m)

Update & Modifications

Pure update (-\$7m)

- Floor: 0.90 (\$2m); 0.93 (\$3m) 0.95 (\$9m)  
1.00 (\$30m)
- Floor & ceiling: 0.93-1.09 (-\$3m)
- Floor & soft cap: 0.93-1.09+ (-\$0.3m)

## Gain and Loss Examples

### LMA Examples

LMA	Baseline	S2 update	S4 floor/ceiling
Kittery - York LMA	1.06	1.15	1.12
Greater Portland LMA	1.08	1.11	1.10
Boothbay Harbor LMA	1.03	1.07	1.07
Machias - Eastport LMA	0.84	0.82	0.93
Bucksport LMA	0.94	0.88	0.93
Skowhegan LMA	1.03	0.95	0.95

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## Allocation Difference (Gain & Loss) v status quo

Alternative	Differences by SAU (\$millions Total)			Differences by SAU (\$ Per Pupil)		
	Negative	Positive	Total	Statewide	Lowest	highest
S1. No Adjustment	-25.8	21.5	-4.3	-\$26	-519	916
S2 Update	-16.2	9.1	-7.1	-\$43	-488	487
S3 Floor 0.93	-11.4	12.6	1.2	\$7	-488	516
S4 Floor 0.93 soft cap	-11.4	10.1	-1.3	-\$8	-488	516

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## Pros and Cons:

### Status Quo

(Retain current index values, based on 2004-05 data)

Pro	Con
<ul style="list-style-type: none"><li>• No “Winners and Losers”</li></ul>	<ul style="list-style-type: none"><li>• Does not reflect current reality.</li></ul>

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## Pros and Cons:

### S1 Eliminate adjustment (all 1.00)

Pro	Con
<ul style="list-style-type: none"><li>• The biggest / most “Winners and Losers”</li></ul>	<ul style="list-style-type: none"><li>• Does not reflect adequate dollars for adequate staffing</li><li>• Overtaxing for lower cost areas</li></ul>

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## Pros and Cons:

### S2 Update Salary Data, no floor or cap

Pro	Con
<ul style="list-style-type: none"><li>● Reflects recent actual salary differences</li><li>● Gains and losses show the current regional adjustment is out of date</li></ul>	<ul style="list-style-type: none"><li>● Partially reflects ability to pay and voluntary choices</li><li>● Large gains and losses, deferred EPS maintenance, will make updating painful</li></ul>

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## Pros and Cons:

### S3 Update Salary Data with Floor at 0.93

Pro	Con
<ul style="list-style-type: none"><li>● Reflects recent actual salary differences</li></ul>	<ul style="list-style-type: none"><li>● Partially reflects ability to pay and voluntary choices</li><li>● Large gains and losses (deferred EPS maintenance)</li><li>● Floor mitigates both cons</li></ul>

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## Pros and Cons:

S4 Update with Floor at 0.93 and soft cap at 1.09+

Pro	Con
<ul style="list-style-type: none"><li>• Reflects recent actual salary differences</li><li>• Less expensive than S3</li></ul>	<ul style="list-style-type: none"><li>• Partially reflects ability to pay and voluntary choices</li><li>• Large gains and losses (deferred EPS maintenance)</li><li>• Floor and soft cap mitigates both cons</li></ul>

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## Alternatives to using salary data

3 different metrics investigated:

1. CWIFT comparable wages
2. Cost of Living Index (COLI)
3. MIT Living Wage Index (LW)

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## CWIFT (Comparable Wage Index for Teachers)

- Based on salaries in comparable professions such as nurses, engineers and accountants.
- Comparable wage approach didn't exist when EPS was adopted.
- An early version, the CWI, was recommended in the Picus Report, but didn't work geographically for Maine.
- A new index, the CWIFT, is available by County from the NCES.

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## CWIFT

### Results:

- Really poor correlation to actual salaries 0.231
- No correlation to ME cost of living (-0.038)
- Unexpected / counterintuitive patterns in ME

**Not recommended for Maine.**

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## Cost of Living Method

- Geographic cost of living measures were not available for all areas of Maine when EPS was implemented.
- MEPRI developed an index based on housing cost variation, which is the largest portion of the cost of living. It was not adopted.
- Currently, there are two cost of living frameworks available by county that may be suitable for use in the EPS Regional Adjustment component: COLI and MIT Living Wage Calculator

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## Pros and Cons: Cost of Living Methods

### COLI or Living Wage

Pro	Con
<ul style="list-style-type: none"><li>• Cost of living is one of the strongest salary cost drivers</li><li>• Narrower range of adjustments</li><li>• Good correlation to actual salaries</li><li>• Automatic updates can be tied to an external index</li></ul>	<ul style="list-style-type: none"><li>• Excludes other market factors for teacher salary price (i.e. supply and demand factors)</li></ul>

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## Cost of living 1: COLI

- Metric has evolved since 2001
- Updated annually
- Should be cost neutral in total (centers around average)

### Results

- Range: 0.90 to 1.05
- High Correlation to salaries: 0.749

## Cost of living approach 2: Living Wage

- New metric since EPS developed
- Updated annually
- Calculates needed income for different household types
- Should be cost neutral in total (centers around average)
- Requires transformation from household configurations to a single index per county

### Results

- Range: 0.89 to 1.10
- High Correlation to salaries: 0.819

## Model Recommendations

1. Switch to cost of living based index. Living wage is best fit; need to confirm implementation methods.
2. Less preferred: update of salary method using a floor of 0.93 and a ceiling (multiple options)

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## Implementation Recommendations

3. Immediate floor of 0.90 (~\$2m) or 0.93 (~\$4m)
4. Transition other adjustment changes gradually (Ramp in)
5. Update indices regularly after full transition

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## Questions?

Amy Johnson ([amyj@maine.edu](mailto:amyj@maine.edu))

Jim Sloan ([james.sloan@maine.edu](mailto:james.sloan@maine.edu))

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