Review of Selected Essential Programs and Services Components

*Per Legislative Resolve 2286*

# Policymaker Summary

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# POLICYMAKER SUMMARY

In April 2024 the Maine legislature passed a Resolve (LD 2286)[1] that tasked the Maine Educational Policy Research Institute (MEPRI), in collaboration with the Maine Department of Education, with studying various aspects of the Essential Programs and Services (EPS) formula. MEPRI approached these tasks involving both data analysis and stakeholder feedback. The work was divided into five separate categories to aid in organizing the volume of information.

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|---|---|
| Part I: | General Background and Trends |
| Part II: | State Funding, Local Ability to Pay, and Property Valuation |
| Part III: | Regional Costs |
| Part IV: | Special Education |
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Additional content is included in appendices. The key findings, implications, and policy options for each section are briefly summarized here, along with a final synthesis of recommendations and next steps.

## Part I: General Trends & Background

To frame the study, we first explored changes in the educational cost landscape since the development and implementation of EPS in the early 2000s. This included compilation and analysis of 1) historical data on enrollments and staffing levels; 2) total and per-pupil spending trends in selected budget categories; and 3) comparison of actual spending to the EPS cost model allocations (i.e. the Over/Under EPS reports) over time and by region.

### Key Findings

#### *Expectations for public education are variable and changing*

The quantitative data show that per pupil spending varies widely from district to district. For example, in FY 2023, the overall spending per pupil statewide was $17,650, but it ranged from a low of $8,850 to a high of over $30,000 per pupil at the SAU level. Feedback provided from stakeholders as part of our study revealed that districts do not have a common, shared understanding of what constitutes an "adequate" education. Stakeholders also shared that community expectations and state requirements have evolved since the inception of the EPS system. As a result, programs and services that are deemed to be essential by some communities may be perceived as optional in others. This contributes to the different levels of spending in schools around the state, leading to uneven educational opportunities for students.

[1] https://legislature.maine.gov/billtracker/#Paper/2286?legislature=131

***Spending on public education has been growing faster than inflation***

When EPS was implemented in 2005 with an infusion of additional state subsidy, it increased spending in most districts. But by 2024 most districts were spending well above their model amounts, and the total of all districts' spending was 26% above their combined EPS estimates. The two categories that are driving most of the growth in spending since 2013 are special education and student & staff support.

***Special education and student and staff support***

In *special education* (discussed in more detail in Part IV), total spending increased by 141% from 2001 to 2021, compared to a 44% increase in inflation index (CPI). Some factors contributing to high local and state costs include an increase in students identified as having a disability and an increase in the intensity of supports deemed necessary to meet students' educational needs. Available data also suggests that school districts are underbilling for MaineCare eligible services, which puts a greater burden on local and state funding to pay these costs.

District spending in the budget category of Student and Staff Support increased 174% from 2001 to 2021 (compared to 44% CPI inflation change). *Student support* includes the costs for student health (guidance, social workers, nurses) as well as instructional technology. Stakeholders commonly identified their need for more social workers in schools as an area where the EPS model is inadequate. *Staff support* includes instructional coaches, professional development, and teacher mentors. Stakeholders (and the Picus review of EPS[2] in 2013) expressed a desire for adding more resources for instructional coaches and mentors to the EPS model, and also named the challenge of funding such positions in small districts.

***Student enrollments are declining***

Student enrollments have *declined* by 19% since 2001. Some counties have been hit harder than others; Aroostook, Lincoln, and Waldo counties' student enrollments have decreased over 30% since 2001. This means that spending has grown even more dramatically on a per-pupil basis. Per-pupil spending on special education grew 196% from 2001 to 2021, and student and staff support grew 237%.

**Policy Issues and Options**

***Issue #1: Declining enrollments, small schools, and facility costs***

- EPS is heavily dependent on per-pupil cost estimates. When enrollments decline, schools are expected to spend less. However, facility and teacher costs, in particular, do not typically decrease until a tipping point is reached (e.g. school closure, school grade reconfiguration, or moving to multi-age classrooms).

[2] https://legislature.maine.gov/funding-formula-reports-and-presentations

- Communities place a high value on maintaining a school within their town, especially for elementary grades. The local school is a community hub and is seen as essential for keeping and attracting families to the town. The risk of school closure is a common reason for towns to withdraw from an RSU.
- Of Maine's 256 non-charter districts (SAUs) in FY2024, only 111 operated schools for all grades. The remaining 145 either did not operate any schools (63 SAUs) or provided schools for only some grades (82 SAUs), sending their resident students elsewhere for the rest of their education. Maine's long tradition of relying on private town academies to provide a quality high school education has contributed to this educational landscape. However, some of these SAUs with only some (or zero) grade levels are the result of withdrawals from RSUs or other consolidated units.
- While most small schools cannot meet basic operating costs with the per-pupil funding amounts allocated by the EPS model, only those that are considered geographically isolated because they are more than 8 miles from another school with similar grade span receive an adjustment in EPS. Those that are within that commuting range to another school are considered to be small by local choice and do not receive additional funding, other than a modest 10% reduction in school staff ratios if they are in a small school district (less than 1,200 attending pupils[3]). They must therefore rely on local funding if their costs are above the EPS model estimate.

In sum, small schools do not have an economy of scale and are generally more expensive. However, since small towns are an essential part of Maine's rural character and identity, advocates assert that the State has an interest in sustaining them by investing in their schools. This gives rise to a policy question that must be considered to guide any policy changes:

<u>Policy question: Does Maine have an interest in supporting towns to maintain their own small schools, even when they are not geographically isolated?</u>

**If YES** → Policy options for supporting small schools include:

- Additional cushion for declining enrollments, such as expanding to a 5-year enrollment average. (Maine uses a 3-year average.)
- Developing and adopting a different funding model for small schools that provides a minimum threshold of resources rather than uniform ratios and per-pupil amounts. The CTE funding model illustrates this general approach.
    - To control costs and bolster oversight, enhanced funding for small schools could be combined with a regional structure for administrative and specialized education services through a separate funding mechanism for towns that choose this alternative funding approach.

[3] https://legislature.maine.gov/legis/statutes/20-A/title20-Asec15679.html

**If NO** → Policy options for encouraging school consolidation include:

- Status quo: continue to allow "small by choice" through reliance on local funding. This may merit additional oversight to ensure communities are providing adequate programs and services.
- Limit use of state school construction and renovation funds for "small by choice" circumstances, and/or prioritize school construction and renovation funding for school consolidation.

***Issue #2: Increasing Need for Student Supports***

- To be ready to learn, students must first have their basic physical, mental, and emotional needs met.
- School systems are providing more resources to respond to increasing levels of student need, such as by hiring clinical counselors and social workers, building food pantries, or expanding access to laundry and shower facilities.
- The EPS model for general education currently allocates some basic resources for school counseling and school nurses through the Guidance and Health ratios. This level of support is not intended to meet all the wellness needs a student might have, especially if they are in need of clinical mental health counseling.

<u>Policy question: Should public schools hold the primary responsibility for providing wraparound services to support whole-student wellbeing?</u>

**If YES** → Policy options for solidifying the expanded role that schools have taken on include:

- Expand EPS model to include additional physical and mental health service providers.
- Expand EPS model to increase related resources for facility needs, administration, program and provider oversight, MaineCare billing, etc.

**If NO** → Policy options for shifting schools to a "host" role for community-provided services include:

- Build or connect to existing regional infrastructure for service providers.
- Evaluate feasibility of ensuring every district has a link to a school-based health center to facilitate student access and provide administrative oversight, such as through the community school model.

**Recommendations and Suggested Next Steps**

1. Study the feasibility of creating regional infrastructure for selected student, staff, and administrative services. Based on data analysis and stakeholder feedback, areas that may benefit from a regional approach include special education, professional development, new teacher mentoring and induction, and some district administrative functions.
2. Establish an initiative to more explicitly define the programs and services that are essential for a fully prepared citizenry and workforce, statewide, in the coming decades.
3. Make the EPS model assumptions more visible so communities can see how and where they are operating differently from the prototypical expectations, particularly in teacher ratios and facility costs. This could serve as a first step toward more explicit policy conversations about the value of neighborhood schools and the broader implications of "small by choice" for funding and educational quality.

## Part II: State Funding, Local Ability to Pay, and Property Valuation (Resolve 1A, 1B, 1D)

This section of the full report describes Maine's current method for allocating state subsidy and its underlying assumptions. We also provide overviews of the sources of revenue used to raise the state and local shares of the cost of pK-12 public education and the mechanisms used in other states for allocating state subsidy for education. The full report summarizes the results of several new analyses, including:

- Trends in property valuation over time, and characteristics of towns with large changes in total property value;
- Comparison of property valuation (total, per capita, home values) and income-based measures of community wealth/local ability to pay;
- Discussion of technical pros and cons of available measures of income; and
- Policy considerations and options for changing how state subsidy is allocated.

## Key Findings

### *High Property taxes*

Maine has a very high reliance on property tax compared to other states. According to the Lincoln Institute of Land Policy[4] Maine is ranked:

- **1st** in the nation for property tax as percentage of personal income (5.3% vs 3.1% nationally)
- **3rd** in the nation for reliance on property tax as source of state and local revenue (23.4% vs. 15.5% nationally)
- **7th** in the nation in per capita property tax ($2,835 in 2021)

Maine's relatively high property taxes have a direct impact on education funding because public education is typically the largest item in municipal budgets. When taxpayers feel that their bill has become more than they can afford, either because total spending increases or state subsidy decreases, they are more likely to vote against proposed school budgets.[5]

In Maine, total property values increased 47% from 2013 to 2023; the growth was fueled by an influx of buyers moving to Maine during the pandemic, with about two-thirds of it occurring between 2020 and 2023. If property values were to increase uniformly, it would not have an impact on the local tax bill; municipalities could raise a given amount of money using a lower mil rate, since it would be multiplied by a higher property value. However, the increase was not uniform.

Residential property was affected more than commercial or other property types. As a result, residential properties comprised over 78% of the total property tax commitment in 2023, up from about 74% in 2013 (Maine Revenue Services). This means that residential homeowners are paying a greater proportion of the local share of education costs, adding to their sense of an increased tax burden.

Furthermore, property values increased more in some communities than others. Because Maine's method of allocating state subsidy is based on a uniform mil rate, those communities with particularly rapid increases in total property value from year to year will be expected to raise proportionally more funds toward their education costs before receiving any state funding. This results in a year-to-year decrease in state subsidy.

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[4] *https://app.lincolninst.edu/sites/default/files/me_march_2024.pdf*

[5] Spiking home prices are leading to school budget challenges in some Maine communities. Maine Public, February 27, 2023. https://www.mainepublic.org/maine/2023-02-27/spiking-home-prices-are-leading-to-school-budget-challenges-in-some-maine-communities

As Maine towns balk at rising education costs, some call for sheltering the property tax. Portland Press Herald, September 8, 2024.https://www.pressherald.com/2024/09/08/as-maine-towns-balk-at-rising-education-costs-some-call-for-sheltering-the-property-tax/

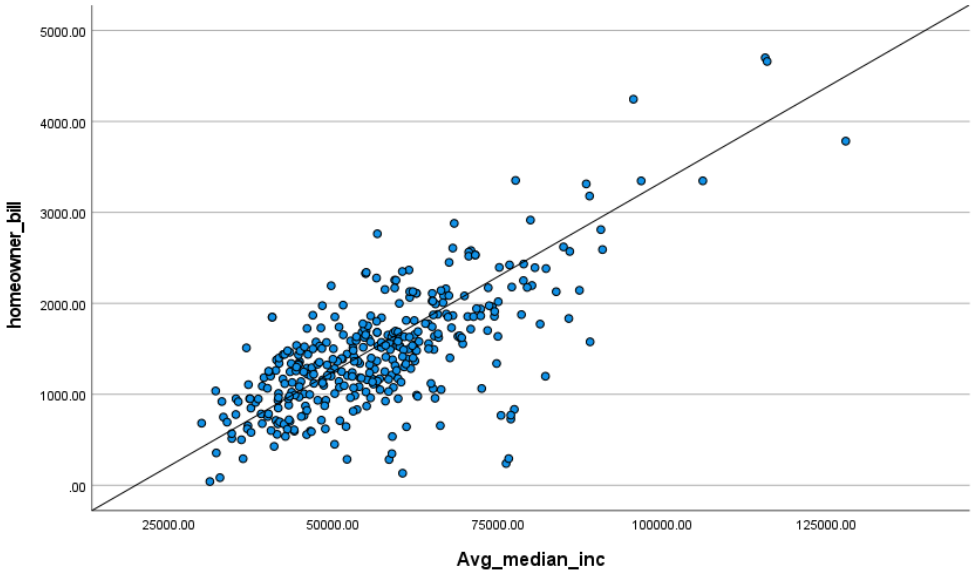
In analysis of town-level property values from 2013 to 2023, we found that the 69 Maine towns with the largest increase (ranging from 59% to 140% compared to the overall statewide increase of 47%) were, on average, larger in population than those with average or below-average increases. They also had higher median incomes, suggesting they may have been better able to afford the shift when their state subsidy was reduced. However, when the growth pattern is repeated for multiple years in a row from 2020 to 2023, the effect can be substantial. This raises a particular concern about the impacts on low-income and some fixed-income residents whose incomes did not rise at the same rate as their property values.

***Property Wealth vs. Income***

To further study Maine's current system of a minimum property tax expectation for EPS costs, we estimated the median homeowner tax bill for EPS costs in each town. This is calculated from the median home value in each town multiplied by the town's expected mil rate. We then investigated the relationship between the median tax EPS tax bill and different town-level measures of wealth: Median household income, Median home value, and Percentage of households living in poverty. Each of these quantitative measures has limitations that should be considered when using them to estimate a town's average wealth. These issues are discussed in the full report, as they factor into the policy options for incorporating an income measure into the EPS model.

While the results varied somewhat depending on the wealth measure used, in general our analyses showed a strong correlation to the median homeowner property tax bill for EPS. Figure 1 below illustrates the relationship between median household income and the median EPS property tax bill (median home value multiplied by the town's expected mil rate). The overall correlation for these measures was 0.710 ($p<0.001$), driven largely by the strong relationship between median income and median home value.

**Figure 1. Scatterplot of Estimated EPS Tax Bill vs. Median Income in Maine Towns**



In general, towns with a higher median income have a higher median EPS tax bill. However, a correlation of 0.70 is not perfect (1.0). There are towns with higher income and below-average expected EPS tax bills (seen to the right and below the line), as well as those with lower median income but higher EPS tax bills (to the left and above the line). Our analysis indicates that approximately 5-10% of Maine towns fall into this latter category (higher EPS tax bill, low or average median income). While the residents of *any* town have a range of incomes and ability to pay, towns with lower median incomes will have more taxpayers who may be struggling to pay their EPS tax bill.

Another way to look at local ability to pay is to compare the median estimated EPS tax bill to the median income – i.e. the percentage of income paid in property tax for EPS. In this analysis, we found that the median homeowner in about 13% of Maine towns paid significantly above the average proportion of their income in EPS property taxes (3.3% or more of their income). The vast majority had average or below-average median incomes. These results bolster the finding that while the expected EPS tax bill for funding public schools is generally higher in higher-income communities (and vice versa), there are some towns at either end of the spectrum where the average tax burden does not match the average income.

**Policy Issues**

No matter what taxation alternatives are considered, all revenue for public education – state, local, and federal – comes from taxpayers. There are different kinds of local and state taxpayers (year-round residents, part-year residents, tourists, businesses) with different levels of wealth (high vs. low) and different kinds of wealth (property, income). They participate differently in the three major categories of taxes (sales & lodging taxes, income / corporate taxes, and property taxes). For example, non-resident vacation homeowners do not pay income taxes, and thus their largest contribution to education is through property tax, while seasonal tourists pay only sales and lodging taxes. Any modifications to tax policy that change the revenue streams will impact some kinds of taxpayers more than others. Unless education costs are reduced, lowering one kind of tax will mean that the savings need to be made up in another area.

To identify ways to change how revenue is generated for education, policymakers must wrestle with difficult questions. Who should be targeted for tax relief, and who should be contributing more than they already are to make up the difference? Is the goal for education taxes to be regressive, proportional, or progressive based on the wealth of the taxpayer? What are the distributional as well as the economic impacts of various tax policy options? Answers to these questions will determine the policy levers and parameters that can be adjusted to optimize our tax systems in alignment with Maine's policy goals. The questions are also relevant to other legislative bodies in addition to the Education and Cultural Affairs Committee.

To aid in these considerations, the report includes a robust discussion of the different mechanisms used to fund public education in other states.

***Equity Challenge #1: Minimum Contributors***

Maine's Constitution places the responsibility for public education on municipalities, not the state. There are towns with high property wealth relative to their education costs that can raise the full amount of their EPS cost estimate using a lower mil rate than the statewide mil rate expectation. They are designated as "minimum contributors" because their required mil rate to fund EPS is lower than what the state requires of other towns through the mil rate expectation.

All property owners in these towns, regardless of income, have a lower EPS property tax estimate than their peers with similar property value in other towns that are raising the full expected statewide mil rate. In FY26, if all towns raised the statewide expectation of 6.10 mils it would have raised an additional $160M for education. In addition to this missing revenue, these minimum contributor towns received a combined $26M in adjustments that guarantee a certain amount of state subsidy, regardless of ability to pay. The lower local mil rate and the minimum contributor adjustment both introduce some regressivity into the EPS model.[6]

Notably, the actual tax bill in minimum contributor towns is not necessarily lower. These towns are much more likely to pass budgets that are above the minimum EPS cost estimates, and any amounts above EPS are funded locally. According to the MDOE, in FY2023 the school units that received the least state aid toward their EPS costs – including the minimum contributors – passed budgets that were 69% above EPS. In contrast, those who had lower property wealth and received more state subsidy to meet their EPS costs after raising their expected mil rate were only 11% above EPS. In other words, minimum contributor towns on the whole are not taking advantage of their cumulative property wealth to have lower tax bills; instead, they are contributing above and beyond the minimum mil rate that EPS expects in order to provide additional programs and services for their students.

***Equity Challenge #2: Towns with Mismatched Valuation and Income***

As described above, the median town EPS property tax bill is correlated with town median income, but not perfectly (0.7 vs. 1.0). There are some towns with a high median property value, but the median resident has a low to average income. It is possible to modify the EPS system so that towns with lower median incomes have a lower mil rate expectation than those with higher median income residents. The full report outlines some possible examples, including the data limitations.

Importantly, policy options that alter state funding based on town-level income measures would affect all residents. There would be low-income residents in high-income towns that would be hurt by policies that expect more tax effort from them, and high-income residents in lower-income towns that would benefit.

[6] In addition to higher levels of property wealth, the median household income in minimum contributor towns is about $6,000 more on average than for other towns.

### *Equity Challenge #3: Individual Level*

Property taxes can be regressive; lower-income individuals often pay a larger share of their income toward property taxes when compared to higher-income homeowners. This is a particular concern for homeowners in towns where home values have increased significantly more than incomes. However, shifting away from property taxes to other sources of revenue for education will only help low-income residents if the new funding stream is more progressive.

Tax relief options that target individuals, in contrast to policies aimed at the town level, can help low-income property owners no matter where they live. Maine already has several such initiatives, as detailed in an appendix to the full report.

## Policy Options

The EPS funding model can be modified in various ways to adjust its impacts on school districts and towns. Outside of EPS, alternate taxation options can be pursued at different levels to shift the burden to and from different target populations. Notably, some tax changes may require an amendment to Maine's constitution. Table 2.12 in the full report provides a more detailed description of various policy options.

## Recommendations and Suggested Next Steps

Part II of this report also lays out several high-level questions to guide further policymaker action. Public education is funded through taxes – for both the state and local shares of the total costs – and therefore changes to funding mechanisms will need to be discussed through the lens of tax policy. Priorities should be identified before making policy changes to ensure that any changes are in alignment with a clear vision for taxpayer equity; both EPS and its underlying taxation assumptions should work toward the same goals.

The full report identifies several areas for continued analysis. Future MEPRI work will also address the directives included in LD 318 as passed near the end of the first regular legislative session in June 2025.

Taxation issues are broader in scope than EPS. Appropriate stakeholders and experts should be engaged alongside the Education and Cultural Affairs committee to establish big-picture policy priorities and goals to guide further study and recommendations.

The intent of state subsidy is to ensure baseline adequacy in education while also supporting taxpayer equity across the state. But this relies on having a good cost model at the foundation to estimate what is needed for a basic education. If the EPS cost estimate is too low, local taxpayers must raise the difference through local funds. When they do not, the goal of student equity suffers. The EPS cost model should be updated to provide resources for programs and services that have been added, or have become more costly, since the inception of EPS. These updates are detailed in other sections of this report.

## Part III: Regional Cost Variation (Resolve 1A, 1C, 2B)

The EPS model includes a regional adjustment factor to account for differences in teacher labor costs across the state. This adjustment is important so that districts in high-salary areas can afford adequate staffing levels and those in lower-salary areas are not overtaxed. It is intended to assure adequate resources where they are needed rather than add resources to the overall cost model or act as a policy lever to influence salaries; the minimum teacher salary addresses that purpose. The current index is based on teacher salaries in Maine Labor Market Areas (LMAs).

Feedback from stakeholders has consistently described difficulties in increasing teacher salaries due to budget constraints and taxpayer pushback. Prior MEPRI studies of teacher turnover in Maine found a weak pattern of higher teacher turnover in districts with lower salaries; we also found that teachers who changed positions tended to receive higher salaries in the new district (MEPRI, 2018). While not a rigorous study of labor market supply and demand, these findings taken together suggest that teacher salaries in some parts of the state may not be high enough to attract and retain an adequate supply of qualified teaching staff. This raises concerns about our current practice of using teacher salary data as the way to measure cost differences between regions.

The current study included an updated analysis of regional variation in educator salaries and benefits, comparison to various cost-of-living estimates, and comparison of total resources allocated for teachers and educational technicians to actual staffing levels.

### Key Findings

- The EPS regional adjustment is very out of date. The original regional index values are not achieving their intended purpose. The gap in teacher salaries across the state has continually spread: The difference between the highest and lowest paying regions has grown, and there are significant changes in the other areas, too.
- Although the statewide net cost or savings from updating the regional adjustment would be small, there would be substantial "winners and losers" even with a floor and ceiling.
- The cost-of-living metrics we analyzed appear to be a good fit for Maine, based on their relationship to other relevant data patterns; the comparative wage approach does not.

### Policy Options

MEPRI evaluated several alternatives for calculating the EPS regional adjustment:

- Current practice (status quo): labor market salary basis, 2004-05 salary data;
- Update with recent teacher salary data, implementing a floor and/or ceiling;
- Switch to cost-of-living index basis; and
- Eliminate the adjustment.

**Recommendations and Suggested Next Steps**

- Bring the EPS regional adjustment up to date for the integrity of the cost model. Two general approaches appear to be an improvement:
    - Maintaining the current salary-based approach with updated salary data and a floor and ceiling to cap the spread.
    - Using a cost-of-living approach. Two national indices are described and analyzed; we recommend using a composite.
- Implement a minimum floor (suggested 0.93) to provide additional resources to low-salary regions, in either case.
- Mitigate the impact of large allocation changes either by phasing in over several years or by implementing alongside other offsetting changes in EPS to minimize overall reductions in allocations.
- Implement a process to ensure regular updates. The original plan for periodic changes has not worked as intended.

## Part IV: Special Education (Resolve 2A)

Several recent studies described in the full report have raised concerns about Maine's system for funding special education through the EPS special education (SPED) funding model. Analysis illustrates that the current funding pattern is inequitable, and practitioner feedback suggests that the programs and services provided are not always adequate.

**Key Findings**

- Our decentralized system means there is a lack of readily-available information to examine the quality of programs and services being provided to students with special educational needs. This hinders oversight and accountability; our reliance on local control results in an inability to identify problematic situations where targeted assistance may be needed.
- The current special education cost model has devolved into an expenditure model. This goes against the intent of EPS. As a result, wealthier districts (with lower percentages of students in poverty) receive significantly more funding than high-poverty districts – as much as $2,500 more per special education pupil.
- Spending data, practitioner surveys, and anecdotal reports suggest that school districts are struggling to meet students' special education needs.
    - Districts without robust systems, especially early intervention and behavior supports, may need to fall back on expensive and often ineffective band-aid solutions (e.g. out-of-district programs or 1:1 adult supervision).

    - Staffing shortages and "health care deserts" mean that some students do not receive needed services, especially in more rural areas.
    - Yet, anecdotal reports from some district leaders suggest that some students are offered more services than they need. This can be due to parent pressure, or a lack of more appropriate interventions. And because of the expenditure-driven nature of the model, this spending subsequently results in higher funding allocations.
- Maine's special education identification rate of 20% is much higher than the national average of 15%. We are tied with New York and Pennsylvania; only Puerto Rico has a higher rate. Most of New England is at 17-18%.
- Student mobility can result in unpredictable budgets, particularly in smaller districts where even a small number of new students with very intense special education needs has a proportionally large impact. Practitioners advocated strongly for regional approaches to funding high-cost programs, including out-of-district placements, to even out the pressure on local costs. Shared administration can also smooth transitions when students relocate.

**Policy Options**

- Status quo.
- Maintain the framework of the current model and make adjustments to minimize its inequitable distribution, including by reducing or eliminating the Step 6 "maintenance of effort" adjustment.
- Develop a new funding model framework using multiple, tiered student weights based on intensity of student needs.
- Develop regional infrastructure for selected aspects of special education (e.g. related services administration, billing, programs for low-incidence needs) and change the flow of funding accordingly.
- Adjust hardship funding to be more responsive and flexible.
- A combination of selected elements above.

**Recommendations and Suggested Next Steps**

- Pursue regionalization of special education services and/or administration. This is the norm in most states and has the potential to improve access to services, provide more support to teachers and students, increase oversight, and reduce costs in the long-term.
- Implement a collar on the step 6 "maintenance of effort" expenditure adjustment. We recommend allocating 80% of the difference between the base model allocation and actual prior year spending to constrain growth and encourage efficiency.

- The current prevalence weight values (0.38 weight for students above 15%) do not match current identification practices and spending levels, which contributes to the gap between the model amounts and actual expenditures. Consider increasing the prevalence threshold to 17%, and/or increasing the prevalence weight to 0.40, while development of a tiered weighted system is underway.
- Discontinue the non-statutory spring adjustment for unbudgeted out-of-district tuition costs. Instead, adjust the hardship criteria to be more responsive to districts that cannot afford unexpected changes in special education costs.
- Continue developing a multiple-weight cost model to more adequately estimate districts' funding needs.

## Part V: Statutory Adjustments

### Key Findings

This section provides a descriptive list of the education costs that are paid directly by the state as part of its 55% share of the total estimated cost of education. This list is commonly referred to as the "purple sheet." Several of the items increase the total statewide cost of education, and thus also increase the statewide mil rate expectation. Others – the minimum subsidy adjustments – do not increase the total cost of education, but they still increase the statewide mil rate expectation by reducing the amount of state subsidy that is available to distribute to school districts.

### Policy Options

For each of the statutorily-mandated adjustments, the policy options are: status quo (no change), amend the adjustment to modify its cost or intended recipients, or eliminate the adjustment.

### Recommendations

The minimum contributor adjustments for special education should be reconsidered if the policy priority for allocating state subsidy is to assist towns that have a lower ability to pay for education. These subsidies (approximately $24M in FY26) would better achieve that goal if redirected to help build regional infrastructure for special education that could benefit students in all districts.

The other cost items included in the "purple sheet" were not included within the scope of other MEPRI analyses, either for the current study or prior EPS reviews, and therefore we do not have the basis for a recommendation.

## Summary of High-Level Policy Considerations

The sum of the findings and recommendations across these distinct topics raises some fundamental questions about the basic underpinnings of Maine's approach to funding public education, especially when combined with the broad stakeholder input we gathered (see Appendix A). Answers to the following would further inform priorities for improving the Essential Programs and Services system:

1. What is an adequate education, now and moving forward?
2. Should responsibility for providing an adequate education stop at the town border? Is there social and/or economic value in approaching funding statewide or regionally?
    a. What are the implications of pooling resources, either statewide or within regions?
    b. What are the limits of local control?
    c. How can regionalization of services or administration support better outcomes and lowered costs, first perhaps in special education?
3. Which kinds of taxpayers should pay more? Which should pay less?
4. How much value do we place on sustaining small rural communities through small local schools? To what extent and at what cost?

In addition to these questions about values and priorities, any changes should be evaluated for feasibility, costs, and expected impacts. MEPRI and the Maine Department of Education will pursue this next level of analysis on several of the above recommendations in a study to be conducted pursuant to LD 318 in fall 2025.

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