

Amended LD 2226: Simulation Information for EPS Funding Formula Changes

This report summarizes the estimated impacts of proposed changes to the Essential Programs and Services (EPS) funding model pursuant to Amended LD 2226.

It highlights cumulative impacts, distributional effects across SAUs, and key policy implications.

These estimates are based on using the current data used for the FY 27 EPS funding calculations. Actual costs will be different based on data collections per the EPS model.

Table 1: Fiscal Results of EPS Changes by Step (Cumulative)

Step	Description	Total EPS Change	Local Share Change	State Share Change	Mill Rate
Step 1	Regional Index Changes	+\$70.7M	+\$31.1M	+\$39.6M	5.760
Step 2	Poverty-Based Variable Local Required Mill Rate	\$0	-\$0.02M	+\$0.02M	5.755
Step 3	Hold Harmless	\$0	-\$5.1M	+\$5.1M	5.755
Total	All Steps Included	+\$70.7M	+\$25.98M	+\$44.72M	

Steps:

Step 1: Regional Index updates using a cost-of-living indicator and a floor of 1.0.

Step 2: Required Local Contribution Mill Rate, including 10% Poverty Measure and using variable mill rates.

Step 3: Hold Harmless applies after Steps 1 & 2 to prevent loss of State share for SAUs from the prior year's state allocation.

Step 1: Simulation I Regional Index (Adjustment) Changes

Sec 1. 20-A MRSA §15676, sub-§1 is amended to “prior to fiscal year 2027-28...”

Sec 2. 20-A MRSA §15676, sub-§2 is amended to “prior to fiscal year 2027-28...”

Sec 3. 20-A MRSA §15682 is amended to “prior to fiscal year 2027-28”

Sec 4. 20-A MRSA §15682-A is enacted and will replace §15682 beginning in 2027-28

Estimate Results to EPS Calculations for FY27:

Table 1. Overall Comparison to current FY27			
Step 1: Changes	Current FY 27 EPS	Updated EPS	Difference
Total EPS Allocation	\$2,566,949,272	\$2,637,601,223	\$70,651,950
EPS Local Share	\$1,294,973,682	\$1,326,097,519	\$31,123,836
EPS State Share	\$1,271,975,590	\$1,311,503,704	\$39,528,114
Local Required Mill Rate	5.645	5.760	

Note: The data reflect EPS allocations only and do not include “purple sheet” costs.

Result of Changes at the SAU level for EPS Allocations:

Table 2. Number of SAUs by Change			
Step 1: SAU Level Changes	Decrease	No Change	Increase
Total EPS Allocation	(11)	4	247
Local Required Share	(3)	14	245
State Share	(32)	41	189

Note: The data reflect EPS allocations only and do not include “purple sheet” costs.

Table 3. Total Amount by Change			
Step 1: SAU Level Changes	Decrease	No Change	Increase
Total EPS Allocation	(\$652,413)	\$0	\$71,304,364
Local Required Share	(\$2,650)	\$0	\$31,126,486
State Share	(\$1,730,907)	\$0	\$41,259,022

Note: The data reflect EPS allocations only and do not include “purple sheet” costs.

Regional Index Adjustment: Purpose and Use

This provision revises the current regional adjustment, which is based on outdated labor market areas that have not been updated since the inception of the EPS model in FY 2005. Instead, the recommendation applies regional differences in cost of living using state and national indices, providing a more accurate reflection of the actual costs of operating a school for general education within the EPS formula.

The change also establishes a floor of 1.00 for the regional index, ensuring that calculated costs will not fall below the minimum salary requirements applicable to all SAUs.

How is the regional index adjustment used? Why is it necessary?

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The EPS school funding model first determines the cost of operating a school for general education in each SAU in order to determine an EPS Rate, which is then used as the multiplier for allocation of funding for students that the SAU is fiscally responsible for. This calculation is based on:

- Student attending counts (students actually attending school in the SAU),
- Staffing levels for positions considered essential to general education (see Appendix A),
- Salary and benefit costs using standardized state salary matrices, and
- Other per-pupil support costs.

The salary matrices were originally developed using statewide average salaries. The regional index was then applied to adjust those salaries up or down to reflect regional differences, recognizing that some areas pay above or below the state average.

Over time, however, regional economic conditions have changed significantly, while the regional index values have remained fixed since FY 2005. At the same time, the State has implemented minimum salary requirements, and the salary matrices have been updated accordingly. Despite this, the outdated regional indices continue to be applied.

This has created two key issues:

1. Misalignment with current economic conditions

The fixed regional indices no longer reflect actual regional labor markets, resulting in some SAUs receiving funding levels that either understate or overstate the true cost of operating a school.

2. Funding below minimum salary requirements

For SAUs with an index below 1.00, the formula can produce funding levels that fall below established minimum salaries, indicating that the model is not adequately capturing the baseline cost of education.

Impact of the Proposed Change

Updating the regional index to reflect current cost-of-living data, along with establishing a 1.00 floor, resolves both issues. Most regions will see an increase in their index to better align with current economic conditions.

One exception is the Skowhegan labor market area (containing 11 SAUs), which was originally set at 1.03 in FY 2005 due to above-average salaries at that time. Economic changes—such as mill closures—have since reduced local wage levels. Under the revised methodology, this region’s index will decrease to 1.00, aligning it with the new minimum threshold.

Overall, this change ensures that the EPS formula more accurately and fairly reflects the true cost of operating schools across all regions of the state.

Step 2: Simulation II Variable Local Required Mill Rates Using Poverty Metric with Simulation I Regional Index (Adjustment) Changes

Sec 5. 20-A MRSA §15688, sub-§3-A, ¶A, subparagraph (2) is amended.

Sec 6. 20-A MRSA §15688, sub-§3-A, ¶B, subparagraph (2) is amended.

This determines the mill rate using 90% property valuation and 10% poverty

Estimate Results to EPS Calculations for FY27:

Table 1. Overall Comparison to Step 1 Changes			
Step 2: Changes	Step 1 FY 27 EPS	Updated EPS	Difference
Total EPS Allocation	\$2,637,601,223	\$2,637,601,223	\$0
EPS Local Share	\$1,326,097,519	\$1,326,073,947	(\$23,571)
EPS State Share	\$1,311,503,704	\$1,311,527,276	\$23,571
Local Required Mill Rate	5.760	5.755	

Note: The data reflect EPS allocations only and do not include “purple sheet” costs.

Result of Changes at the SAU level for EPS Allocations:

Table 2. Number of SAUs by Change			
Step 2: SAU Level Changes	Decrease	No Change	Increase
Total EPS Allocation	0	262	0
Local Required Share	(118)	87	57
State Share	(57)	84	121

Note: The data reflect EPS allocations only and do not include “purple sheet” costs.

Table 3. Total Amount by Change			
Step 2: SAU Level Changes	Decrease	No Change	Increase
Total EPS Allocation	\$0	\$0	\$0
Local Required Share	(\$14,049,818)	\$0	\$14,026,247
State Share	(\$14,026,247)	\$0	\$14,049,818

Note: The data reflect EPS allocations only and do not include “purple sheet” costs.

This change proposes a variable local required mill rate that adjusts a municipality’s expected contribution based on its ability to pay by incorporating a 10% poverty measure. The poverty measure is determined by the percentage of economically disadvantaged students, as calculated in Section 15688 of Title 20-A.

By introducing this poverty measure into the distribution component of the EPS formula, municipalities with higher property values but also higher levels of student poverty would see their required local mill rate adjusted downward to better reflect their fiscal capacity.

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This summary reflects the results of applying the variable mill rates after Step 1; Simulation I Regional Index adjustments have been incorporated into the EPS formula.

Overall, this change does not increase the total cost of education. Instead, it redistributes the existing State share of funding. Municipalities with higher levels of poverty would receive a greater share of State funding and contribute less locally, while municipalities with lower levels of poverty would contribute more locally and receive a smaller share of the limited State funds.

The variable mill rates would not impact SAUs that are already considered minimum contributors, as they are currently contributing below the base mill rate.

This also will not impact Charter schools, which do not have a required local share since they do not have a local tax option.

Step 3: Hold Harmless

Sec 7. 20-A MRSA §15699. State subsidy transition period

This provides that the State may not reduce from the previous fiscal year the amount of a school administrative unit’s State subsidy attributable to the regional adjustment calculated pursuant to section 15682-A (Step 1) or to the calculation for local contribution calculated pursuant to section 15688, subsection 3-A (Step 2).

Estimate Results to EPS Calculations for FY27:

Result of Changes at the SAU level for EPS Allocations:

Table 2. Number of SAUs by Change			
Step 3: SAU Level Changes	Decrease	No Change	Increase
Total EPS Allocation	0	262	0
Local Required Share	(34)	204	0
State Share	(0)	204	34

Note: The data reflect EPS allocations only and do not include “purple sheet” costs.

Table 3. Total Amount by Change			
Step 3: SAU Level Changes	Decrease	No Change	Increase
Total EPS Allocation	\$0	\$0	\$0
Local Required Share	(\$5,040,990)	\$0	\$0
State Share	(\$0)	\$0	\$5,040,990

Note: The data reflect EPS allocations only and do not include “purple sheet” costs.

This prevents a loss of State funding compared to the prior year’s EPS calculated state share for those SAUs with a lower poverty index in the Step 2 variable mill rate process by adding the additional cost to the state.

Final: Steps 1 & 2, including Hold Harmless Step 3

Estimate Results to EPS Calculations for FY27:

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All Changes	Current FY 27 EPS	Updated EPS	Difference
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