



MEMO

TO: Caribou City Council Members
FROM: Penny Thompson, City Manager
DATE: February 9, 2026
RE: City Manager's Report

As we begin talking about the municipal budget, tonight's City Manager's report will focus on other budgets which also have an impact on the tax bill that will go out this summer.

There is information on how the RSU#39 Warrant impacts the municipal tax bill, a discussion of County Tax and a refresher on how the annual tax rate is calculated.

The Maine Municipal Association Maine Town & City magazine has published three of four parts of a series on funding public education. I have enclosed those three articles in tonight's packet.

Since the municipal budget is being discussed in great detail, it is important for citizens to know that municipal spending represented only 40% of their 2025 property tax bill.

Suggested Action:

No action is required. This is informational only.

Components of the Municipal Tax Bill

The Municipal Tax Bill has a compound tax rate which includes the annual amount raised to fund municipal services as well as the City's portion for the Aroostook County budget and the RSU#39 school budget. State statutes require that the city collect the amounts invoiced by the County of Aroostook and the RSU#39, and it also requires that the percentage of local property taxes distributed to education and to local and county government be included when a property tax bill is issued to a taxpayer. Interesting note: The State of Maine does not require that a tax bill be issued but the City of Caribou provides one as a convenience for taxpayers.

In 2025, the municipal portion of the Property Tax bill was 40% of the amount paid. If your tax bill was \$1,000 then you paid **\$400** to fund your city departments. The city department budgets are set by the City Council.

In 2025, the Aroostook County portion of the Property Tax bill was 11% of the amount paid. If your tax bill was \$1,000 then you paid **\$110** to fund the services provided by the County of Aroostook. The County budgets are set by the Aroostook County Commissioners and Aroostook County Finance Committee.

In 2025, the RSU#39 portion of the Property Tax bill was 49% of the amount paid. If your tax bill was \$1,000 then you paid **\$490** to fund the school department. The RSU#39 budget is recommended by the RSU#39 Board of Education and approved by voters.

Determining the RSU#39 Portion of the Municipal Tax Bill

The County of Aroostook and the RSU#39 are on a fiscal year that is different from the City of Caribou. No additional calculations are needed when determining the amount due for the County portion as their invoice reflects the 12-month portion due (and in 2024, 2025, and 2026 includes an additional amount associated with their transition to a new fiscal year). However, the RSU#39 invoices the municipality monthly based on the school year's budget that was approved by voters. Therefore, the amount raised by the municipality for the RSU#39 includes 6 months from the prior year budget and 6 months from the current year budget. For 2025, that was half of the 2024-2025 warrant of \$5,501,382.07 and half of the 2025-2026 warrant of \$5,412,308.57. This year, the RSU#39 school budget was passed on September 9, 2025.

Calculating the Municipal Tax Bill

Per state statute, valuation is set by the municipality based on the property status as of April 1 of the tax year. The tax bill covers the municipal's fiscal year, January 1 to December 31. The City charter states that the City Council will set the tax rate on or before June 30 of each year. To determine the amount to be raised from property taxes, staff combines the amounts for the City municipal appropriations, the City's portion of the County Tax Bill, and the amount for RSU#39. The formula to determine the annual tax rate is "Required Tax Rate = the sum of the appropriations to be funded through property tax divided by the municipal valuation".

Using the most recent 2025 tax year as an example: The total taxable valuation in Caribou was \$503,472,699. The amount of property tax to be raised at commitment was: \$11,076,399.38 (the sum of: Municipal = \$4,433,096.38; County = \$1,186,458; and RSU# 39 = \$5,456,846). For 2025, $\$11,076,399.38 / \$503,472,699$ produces a tax rate of .0220 or a "mil rate" of 22.0. Staff members are often asked "how much is a mil"? The definition of a mil as it relates to currency is .001 of a US dollar. In valuation terms, a mil would be .001 of the taxable valuation or \$503,472,699, so a "mil rate" of 22.0 means the City raised 22.0 "mils" ($\$503,472.699 \times 22.0 = \$11,076,399.38$). Regarding the 2025 compound tax rate of 22.0, the mil rate attributed to municipal spending is 8.80 mil, Aroostook County is 2.42 mil and RSU#39 is 10.78 mil.

Reconciling the Maine DOE ED279 and the Municipal Tax Bill

Staff members are often asked why the mill expectation and the valuation number from the Maine Department of Education ED279 report do not match with what the City of Caribou shows for a taxable valuation and the tax rate required to raise the funds needed.

Let's look at a section of page 4 of the 2025-2026 school year ED279.

STATE OF MAINE DEPARTMENT OF EDUCATION AUGUSTA 04333							9/15/2025
STATE CALCULATION FOR FUNDING PUBLIC EDUCATION (PreK-12) REPORT							1
ORG ID : 1468		RSU 39		2025 - 2026			
Section 4 : Calculation of Required Local Contribution - Mill Expectation							Section : 4
A) Subsidizable Pupils (Excludes Superintendent Transfers for SADs, RSUs & CSDs) by Member Municipality							
Member Municipality	2-Yr Oct Ave. Subsidizable Pupils	Percentage of Total Pupils	Oper., Othr Sub, & Tchr. Ret. Allocation Distribution	Municipal Debt Allocation Distribution	Total Municipal Allocation Distribution as a Percentage of Pupils		
Caribou	946.0	97.58%	13,976,621.32 +	2,534,929.74 =	16,511,551.06		
Stockholm	23.5	2.42%	346,622.50 +	62,866.67 =	409,489.17		
Total	969.50	100.00%	14,323,243.82	2,597,796.41	16,921,040.23		
B) State Valuation by Member Municipality							
Member Municipality	3-Yr Average or Previous Yr State Valuation	Mill Expectation	Total Municipal Allocation Distribution per Valuation x Mill Expectation				
Caribou	442,450,000	6.10	2,698,945.00				
Stockholm	18,833,333	6.10	114,883.33				
Total	461,283,333		2,813,828.33				
C) Required Local Contribution = the lesser of the previous two calculations :							
Member Municipality	Total Allocation by Municipality	Required Local Contribution by Municipality	Calculated Mill Rate	State Contribution by Municipality (Prior to adjustments)			
Caribou	16,511,551.06	2,698,945.00	6.10	13,812,606.06			
Stockholm	409,489.17	114,883.33	6.10	294,605.84			
Total	16,921,040.23	2,813,828.33		14,107,211.90			
Preliminary FY 2025-26 Governor's Recommended Funding Level Budget - Adjustments may be made to these printouts throughout FY 26							

1 – School year 2 – Valuation used 3 – Mil Expectation 4 – Amount to be raised in warrant Article 12
 (This represents the June 30 to December 31, 2025 portion of RSU#39 contribution as an illustration).

Note on #2: State Valuation is different than the taxable valuation. Maine Revenue Services (MRS) uses sales ratio studies and other procedures to develop an equalized value for all Maine municipalities with a goal of distributing state aid to education and revenue sharing equitably. MRS will use certified ratios and average ratios developed from the ratio studies to factor the municipal valuation. According to MRS rule 201, “‘State Valuation’ for a given tax year means the total Equalized Value of all taxable property in a Municipality as of the April 1 two years prior, plus the portion of exempt value of homestead exemptions and Business Equipment Tax Exemption property reimbursed by the State to the Municipality pursuant to 36 M.R.S. § 691, et al., less the Captured Assessed Value of tax increment financing districts in the Municipality.”

Note on #3: The Maine Department of Education has their own set of procedures for determining what the municipality will contribute to education. The Maine DOE formula is “Required Local Contribution = the current Mill Rate multiplied by the municipal valuation”. The Maine DOE sets the current Mill Rate as a cap that the municipality will be required to contribute to education per the Essential Programs and Services (EPS) funding formula. The EPS funding formula is used to equitably distribute the limited state funding. For the 2026 fiscal year (shown), the local contribution cap was a 6.30 Mill Rate. In 2025, it was 6.62.

Note on #4: Maine statute dictates how the education budgets are organized and presented. The amount shown in # 4 can be found in Article 12 of the RSU#39 budget. This is the amount (half from each year) used in the calculation $(\$2,707,911 + \$2,698,945) = \$5,406,856 / 2 = \$2,703,428$. Article 12 raises the funds needed to receive the “Essential Programs and Services Funding” provided for in Maine Statute.

In the RSU#39 budget, Articles 12 through 17 raise funds for the proposed school budget. The larger amounts come from Article 12 and Article 14.

As discussed above, Article 12 raises the funds needed to receive the “Essential Programs and Services Funding” provided for in Maine Statute. Article 13 funds the annual payment on the debt service for money borrowed by the RSU (approved by voters). Article 14 raises and appropriates additional local funds which exceed the State of Maine “Essential Programs and Services Funding” calculation. Article 17 authorizes the adult education program and raises the local share.

For Article 14, the RSU 24-25 budget book shows Article 14 as \$2,519,561 and the RSU 25-26 budget book shows Article 14 as \$2,441,936. This is the amount (half from each) is used in the calculation $(\$2,519,561 + \$2,441,936) = \$4,961,497 / 2 = \$2,480,748.50$.

The voters of Caribou need to pass **Article 12**, as its passage appropriates the funding required to leverage the state money. With the passage of **Article 14**, the RSU#39 raises funds over and above what the state requires.

After the voters pass the RSU#39 budget, the school sends the city a copy of the approved warrant and a spreadsheet to calculate what needs to be raised. This is the spreadsheet from 2025:

COMPUTATION TO DETERMINE CITY APPROPRIATION TO THE GENERAL FUND and ADULT ED FUNDS COMBINED			
Caribou			
School's Fiscal Year 2024-2025 City Appropriation			\$ 5,501,382
7/1/24- 6/30/25			
School's Fiscal Year 2025-2026 City Appropriation			\$ 5,412,309
7/1/25- 6/30/26			
Increase based on school year			\$ (89,073)
City's Fiscal Year 2025			
1/1/25- 6/30/25	(5,501,382 /2)		\$ 2,750,691
7/1/25-12/31/25	(5,412,309 /2)		\$ 2,706,155
Total Appropriation			\$ 5,456,846
City's 2024 Calendar year appropriation			\$ 4,976,200
Increase appropriation based on calendar year			\$ 480,646

If you have any questions, please contact the City of Caribou:

Penny Thompson, City Manager

pthompson@cariboumaine.org

(207) 493 – 5961 (direct line)

Are you looking for information on your 2025 tax bill?

cariboumaine.org/taxbill

The tax bill you receive represents the City of Caribou’s fiscal obligations to RSU#39 and the County of Aroostook as well as fund municipal departments.

Current Billing Distribution, 2025 mil rate is 22.0

Municipal Departments	40%	8.80 mil
RSU#39	49%	10.78 mil
County of Aroostook	11%	2.42 mil

For information on the individual budgets:

City of Caribou: Caribou City Office: 207-493-3324

[Budgets – City of Caribou, Maine](#)

RSU#39: Superintendent’s Office: 207-496-6311

[RSU #39 BUDGET | Eastern Aroostook](#)

County of Aroostook: County Commissioners’ Office: 207-493-3318

[Budgets – Aroostook County Maine](#)

COUNTY TAX BILL HISTORY			
Tax Year	Amount	\$ increase	% increase
	County Tax	from prior	from prior
2008	\$355,272.00		
2009	\$351,859.20	-\$3,412.80	-0.96%
2010	\$354,009.10	\$2,149.90	0.61%
2011	\$356,051.70	\$2,042.60	0.58%
2012	\$364,643.75	\$8,592.05	2.41%
2013	\$396,473.50	\$31,829.75	8.73%
2014	\$410,955.05	\$14,481.55	3.65%
2015	\$402,177.20	-\$8,777.85	-2.14%
2016	\$436,142.30	\$33,965.10	8.45%
2017	\$444,434.25	\$8,291.95	1.90%
2018	\$486,816.00	\$42,381.75	9.54%
2019	\$504,288.00	\$17,472.00	3.59%
2020	\$527,974.50	\$23,686.50	4.70%
2021	\$552,757.60	\$24,783.10	4.69%
2022	\$603,037.60	\$50,280.00	9.10%
2023	\$675,423.98	\$72,386.38	12.00%
2024 - 6 month	\$415,845.00		
2024 - 12 month	\$905,531.00	\$230,107.02	34.07%
2025	\$1,047,843.00	\$142,312.00	15.72%

In 2024, the County of Aroostook transitioned to a fiscal year.

Municipalities had the option to pay the special 6-month bill over three years. Therefore, the City has paid 1/3 in 2024 & 2025 and will again in 2026. This is why the amount raised is greater than the amount of the tax year assessment figure.

Here is the most recent correspondence with the Maine DOT concerning the Aroostook River Fort Street Bridge. This was an email from Mark Parlin in answer (in blue) to some questions (in orange) from a previous City Council meeting.

Good morning Penny,
I apologize for the delay. Please see my responses below.

“I am following up on this to see if there is a FAQ developed yet, if there is a document containing all of the comments received during the “online public meeting” that the City Council can review”

We are still working on the FAQ portion. I’ll try to get you a summary of the responses asap.

“if there has been discussion about the concurrent timing of the Route 1 portion of the Route One Wildlife Crossing project”

Regarding the Route 1 crossing project, we will be digging into the traffic control in more depth during final design and this will certainly be discussed. We will look at the additional volume it puts into the intersection in town and if necessary, model the impact to the signal. The project that’s going on this summer should give us a pretty good indication of what the impacts are going to look like. Who is your city engineer? They may have a good sense or some history of how well certain turning movements react to additional volume.

“and if an in-person public meeting has been scheduled?”

We are investigating some other options to maintain traffic that could potentially help this situation. That engineering is complex, unique, and will take some time. I’ve been checking with our designer on progress. It will likely take a month or more. Once this is completed we will reach out to communicate our findings and discuss possible methods for additional public involvement.

“is that historical significance impacting the decisions on the course of action in making the structural upgrades to the bridge”

At this point our direction is rehabilitation not replacement. Our historic resources team member has indicated that changes to the structural steel probably won’t be an issue if it doesn’t affect the design concept of the truss and doesn’t have too much of a visual impact.

“Would it be possible to have a new bridge constructed and keep this historically significant bridge for pedestrians and recreational traffic?”

We usually don’t keep the old structures in place and there are several reasons. One important consideration is the cost of repairing and maintaining the old structure so that it can be used for the other purposes. This bridge already needs a deck replacement and structure steel repairs. Let’s say in 15 years the bridge starts getting major holes in the deck and it’s unsafe for pedestrians, snowmobiles and ATV’s. What do we do?

“Were engineering solutions pursued to keep the bridge open?”

I’m assuming that you mean to keep one lane of alternating traffic open. We call that staged construction. We did considerable preliminary engineering to see if we could stage construct this bridge. The deck acts like a lateral structure member, and when it is removed the bridge is no longer able to support one lane of alternating traffic. We are currently digging deeper into other options but this engineering is going to take some time.

“To be transparent with citizens, is it true that the Maine DOT has money for the repair of assets but do not have funds available for new construction.”

We currently have construction funding for a rehabilitation project only.

Hopefully this helps. Let me know if you have any other questions.

Respectfully,

Mark

The Complexity of Funding Public Education

Explaining the Essential Programs and Services funding formula...a Herculean task.

By Rebecca Lambert

Concerns around the rising costs of funding pre-kindergarten through grade 12 (PK-12) education in Maine have been increasingly raised by municipal officials, school leaders, and Maine citizens alike, all leading to the question of whether the Essential Programs and Services (EPS) funding formula is an adequate measure in the current educational environment.

Understanding the complicated funding model can be as challenging as trying to explain it, but the Joint Standing Committee on Education & Cultural Affairs (ECA) had the benefit of several presentations that provided an in-depth explanation of how the EPS formula is calculated. During the committee's February 24 meeting, a representative of the Department of Education (DOE) shared their insights and was followed by an update on the study of the EPS formula being conducted by the Maine Education Policy Research Institute (MEPRI), as directed by the 131st Maine Legislature through the enactment of Resolves 2023, c. 164 (LD 2286).

The EPS formula's approach to financing public education was established to ensure that all students have equitable access to quality public education. The formula determines the minimum necessary funding for each school administrative unit (SAU) and then delineates the financial responsibilities between the state and local contributions.

What follows is a breakdown of how the EPS formula is calculated based on the DOE presentation to the ECA committee.

The Basics of the EPS Formula

It's important to first understand that the EPS formula focuses on student outcomes and resources and is designed to identify the essential programs and resources required for students to achieve Maine's Learning Results. As a cost-driven

model, it estimates how much should be spent to provide quality educational services, rather than basing allocations on previous expenditures.

Additionally, the EPS funding is not tied to student outcome but provides a minimum amount of funding (also read: base-level funding) to give all students the opportunity to achieve under the learning results model.

The EPS calculation includes several key components and relies on collecting data from all SAUs to determine the total cost of education, annually reported to the state by October 1.

Student Demographics. Student counts across various grade levels are considered and accounts for specialized student populations, such as English language learners or those from economically disadvantaged backgrounds.

As a side note, the October 1 reporting deadline is a contributing factor to why a special education placement occurring after the student count deadline can have serious implications on an already tight budget, since districts are required, and want to, provide services for vulnerable students.

Per-Pupil Rate. The per-pupil rate reflects costs associated with personnel, administration, and instructional support tailored to each SAU. Staff data must be reported annually by October 30.

As a reminder, the EPS formula calculates the base-level of funding, but the locality has the authority to decide how best to use those funds. For example, the EPS formula may use a 15:1 student to teacher ratio to determine how much funding a community would get, but it is up to the school district to decide how best to use the funds and could choose to have a 10:1 or 20:1 ratio instead.

Weighted and Targeted Amounts. Additional funds are allocated for specific needs, including the aforementioned English language learners and economically disadvantaged students, as well as early childhood education (e.g. four year old students enrolled in a pre-kindergarten program), K-12 pupils, Career and Technical Education enrollment, student assessment, and technology resources.

Other Adjustments. Considerations are also made for isolated small schools, adult education, and equivalent instruction to ensure all unique circumstances are addressed.

Budget Data. The budget data that includes actual expenditures, revenues and balance sheet is required to be submitted.

ABOUT THIS SERIES

This four-part series summarizes the work of the Maine Educational Policy Research Institute's review of the Essential Programs and Services funding formula, which determines the minimum cost for educating pre-kindergarten to grade 12 students. Part one of the series focuses on the Department of Education's briefing to the Education & Cultural Affairs Committee that delved into the components and complexities of the funding formula.

The data from all SAUs is used to determine the total base level cost of public education in Maine. By law, the state is required to fund 55% of the cost of education, which is based on the total minimum cost, as calculated by the EPS formula. Due to this fact, the actual dollars received may look different for each individual district when also taking into consideration their valuation and student population.

The next step to the EPS formula is to determine how to distribute the state funding in an equitable way to local communities.

Determining State and Local Shares

The local share required for public education is determined using two factors: (1) the property valuation of each municipality, ideally reflecting its ability to pay; and (2) student population. A uniform mil rate expectation is set annually, capping the required local contribution. This means that while municipalities can choose to raise additional funds beyond the required local share, the EPS formula sets a standard expectation to promote equity among communities.

Each SAU is given a report that details their EPS calculation using the data provided from the above sources, known as the ED279 report. These reports are public, can be accessed through the DOE website, and contain detailed information separated into six sections based on the data each SAU was required to submit in October.

The data contained in each section includes:

Section 1: Student, Staff, Administration Data. The first section shows the per-pupil costs to operate a school for

general education students (not special education) according to the determined EPS base funding level and is used as a multiplier in the second section.

Some of the elements used in this calculation include student enrollment, staff positions including experience levels, staff ratios, salary matrices, benefits information, and regional adjustments. Regional adjustments are factors that consider the varying income levels and cost of living throughout the state.

Section 2: Operating Cost Allocation. Using the data submitted by each SAU, this section considers the weighted pupil counts, such as economically disadvantaged students and isolated and small school districts.

Section 3: Additional Operating Cost Allocations. Key components of the third section include approved gifted and talented programs, special education and high cost out-of-district special education placements, transportation including approved bus purchases, teacher retirement, and debt service allocations. Debt service refers to approved school construction projects, approved instructional space leases, and insured value factors for private school tuition.

Section 4: State and Local Shares. This section is where the state and local contributions are determined, or as some may refer to it “where the sausage is made.”

When determining the local share, Maine Revenue Services provides a valuation for each community that determines their ability to contribute locally toward the cost of public education. Other key factors in determining the local share include the percentage of students (by municipality

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within a combined SAU), and the local contribution cap (mil rate) which is calculated after determining the total cost of education, state funds available.

To guarantee a state subsidy, an SAU must contribute the required amount per the EPS formula, and the reality is that many SAUs raise above and beyond what the state requires for the local share. While valuation can be an indicator of a community's fiscal capacity, some argue that a higher valuation does not always equate to the ability of the property taxpayer to pay the local share and does not take into account a sudden and severe disruption to valuation.

This argument has become part of the impetus for commencing the MEPRI EPS formula study currently being conducted, which has a report due to the Education & Cultural Affairs committee in March 2025.

The local required mil rate is the cap for local contributions established for all communities in Maine and in order to receive state aid, is the most that any community will be asked to contribute toward the cost of education for that year. It's determined after the total cost of education for all SAUs, and other state-funded education requirements, are calculated.

Of particular note, if the amount calculated by the EPS formula for a town or city is less than the total using the mil rate multiplied by the town's valuation, then the municipality will be required to contribute the lower amount.

As an example, if an SAU has a higher valuation multiplied by the mil rate (the measure of a community's ability to pay), the EPS will provide less funds to them so that more

funds can be provided to SAUs that do not have as great an ability to pay (lower valuation). This type of community is known as a minimum receiver. According to the DOE, out of the 255 SAUs in Maine, 34% are minimum receivers.

Minimum receiver adjustments can be made according to Title 20-A, §15689, subsection 1, where each SAU is guaranteed a minimum state share of its total cost of education. As an example, if a community receives a minimum contributor adjustment equal to 50% of their special education allocation from Section 3 of the ED279, it will reduce the local share and increase the state share. As a result, the actual mil rate the municipality would contribute would be less than the state-required mil rate for education.

When determining the state's contribution, the required local share is subtracted from the total EPS allocation for the SAU. According to statute, the state aims to cover 55% of the total cost of funding public education from pre-kindergarten through grade 12.

Section 5: Adjustments & Totals. The fifth section of the ED279 report details the adjustments and total state and local contributions, as calculated by the EPS formula.

Section 6: Payments & Payment Schedule. The final section details any scheduled or year-to-date payments. To ensure accountability, each SAU is required to submit a financial audit annually where it is compared to submitted budgets for accuracy and accountability.

Part two of this series will focus on special education funding and regional assessments as it relates to the EPS funding formula. 🏔️



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The Complexity of Funding Public Education

Regional adjustments and special education

By Rebecca Lambert

This series began in October with an overview of the components of the Essential Programs and Services (EPS) model, which calculates the minimum cost of educating Maine's elementary and secondary students. In this article, Maine Town & City summarizes the regional variations and special education costs that impact the distribution of state funding to Maine school districts. The summary below is based on the Maine Education Policy Research Institute's (MEPRI) March 26, 2025, presentation to the Legislature's Education and Cultural Affairs Committee.

The full presentation can be viewed here: <https://legislature.maine.gov/audio/#208?event=94116&startDate=2025-03-26T10:00:00-04:00>



Regional Adjustment

The current school funding formula is grounded in the principle of equity, recognizing that cost of living pressures placed on school districts vary across the state. While the concept of regional economic differences is generally easy to grasp, the reasons for its inclusion in the school funding model may be less obvious. However, when the formula was created, it was based on a framework that uses teacher salary data to estimate the funding need in each labor market to adequately support public education. This adjustment is particularly crucial in a state like Maine, where salary expectations and staffing needs are disparate across regions. By accounting for these regional disparities, the formula ensures that each district receives resources relative to its area's cost of living expenses.

To that end, Maine's EPS formula uses 35 labor market areas, which as determined by the Department of Labor, is an index based on actual salaries and adjusted for each

teacher's level of education and experience. The formula sets the statewide average at 1, which when compared to each labor market area results in a regional adjustment that is above or below the average among all school districts.

Notably, every three years MEPRI reviews the regional adjustment factor and submits a report to the commissioner of the Maine Department of Education (MDOE), who shares those findings with the Legislature for consideration. While MEPRI has recommended updates to the cost-of-living factor in previous reviews, current adjustments have not been revised since the mid-2000s. As a result, disparities have gradually compounded over time, thereby undermining the formula's intent to promote equity.

Evidence of increasing disparities in compensation comes from anecdotal information shared by school districts who report teacher turnover, the inability to attract and retain qualified teachers, and that teachers continue to move to higher paying districts. School officials have also shared that the regional adjustment is part of the reason their district is unable to raise salaries.

It's important to note that while some components of the EPS formula are tied to inflation and therefore regularly amended, the regional adjustment and special education factors are not. Instead, these factors require legislative intervention, as they can only be modified through policy amendments.

In its March presentation, MEPRI offered several recommendations to the committee for addressing the growing gap among labor markets. Of the five approaches, the most favorable option proposed implementing a floor for regional adjustments, tied to the average statewide salary, along with a cap on growth. The floor/cap model would allow the formula to reflect actual salary differences throughout the state, while controlling growth to align with regional salary patterns. Not only is the approach more cost-effective to implement, but it also helps to mitigate rising education costs.

To ensure the salary-based method was the best approach for determining regional adjustments, MEPRI also analyzed two other metrics: the cost-of-living index (COLI), which uses geographic measures to determine appropriate adjustments, and the MIT Living Wage (LW)

ABOUT THIS SERIES

About this Series: This four-part series summarizes the Maine Educational Policy Research Institute's review of the Essential Programs and Services (EPS) funding formula, which establishes the minimum cost of educating students from pre-kindergarten through grade 12. Part two explores how regional variations and special education expenses impact the overall school funding formula.

Calculator, which estimates the wage necessary for a full-time employee to cover basic family expenses.

MEPRI reported that one of the benefits of using either the COLI or LW index is that the cost of providing necessities is one of the largest drivers of household expenses. Including a cost-of-living index in the formula would benefit the calculation, as the COLI has a positive correlation with actual salaries. The rationale is that areas with higher living costs generally require higher salaries for individuals to afford basic needs, which strengthens confidence in the data's alignment with economic trends. Additionally, the COLI could be tied to automatic updates, bypassing political challenges associated with relying on the Legislature to routinely make needed amendments to the formula.

While no single approach is perfect, MEPRI favors the LW approach over the COLI. The LW index has a slightly stronger correlation with the actual cost of living in each region, rather than solely relying on average teacher salaries. Although applying either the COLI or LW would not impact total statewide cost for pre-kindergarten to grade 12 education costs, it could have varying impacts on individual school districts. The potential creation of "winners and losers" has been a key factor in why adjustments have not been amended over the last two decades.

As a result, MEPRI recommended amending the formula to replace the teacher salary method with the LW model. Additionally, recognizing the broad impacts that such a change would have across the state, MEPRI also recommended implementing the transition gradually to soften its impacts.

Special Education

With the primer on regional adjustments behind them, MEPRI shifted the committee members' attention to the more complex issue of special education funding. The discussion centered on the challenges associated with the current model, proposed revisions, and the impact of those changes.

Before delving into the summary of the special education discussion, it's important to keep in mind that the

cost models within the funding formula focus on student equity, while state subsidies—to be discussed in the next article in this series—focus on taxpayer equity. The overall goal of the EPS formula is to ensure that adequate resources are available so that all students have an equitable opportunity to achieve the performance standards set by the Maine Learning Results.

As expected, the examination of special education costs revealed a number of challenges. One concerning trend is the significant variation in spending patterns across the state. Despite this trend, spending data has proven to be an unreliable indicator of adequacy for cost modeling. To better understand these discrepancies, MEPRI solicited stakeholder feedback, which produced a wealth of anecdotal data. The information shared ranged from examples of underspending due to lack of access to services, to overspending due to the need to provide higher cost services. The feedback highlighted that local solutions, such as hiring education technicians or consultants to address gaps in services, are often temporary fixes that not only fail to address underlying issues but also place an increased burden on the property taxpayers.

This is not to suggest that districts are deliberately over- or underspending but rather to emphasize that special education spending alone is not a reliable indicator of funding adequacy.


Considering taxpayers spend \$500 million per year to fund special education programs and services, the next logical question becomes what are the cost drivers?

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According to 2023 data, Maine ranks among the top four states in the nation for special education student identification rates. Additionally, Maine experienced an 86% increase in autism diagnoses and a 48% increase in students with other health impairments. Other factors include limited access to regional infrastructure in rural areas, insufficient early intervention systems, and restrictions on MaineCare billing capacity.

In recognition of the higher cost associated with providing special education services, Maine’s funding model includes a prevalence adjustment, which provides additional funding for the first 15% of a school district’s student population needing special education services. Other factors used in determining state aid include the cost of in-and out-of-district placements, as well as adjustments for schools with smaller programs recognizing that these programs need additional assistance.

The final step in the process compares each district’s total expenditure to the model’s projected funding. If a district’s spending is below the model, it receives the model amount. If a district’s spending is higher, the district receives additional funding.

However, MEPRI believes that this final step needs to be amended, as the cost model no longer ensures equitable treatment of similarly situated students. According to the institute, the model is flawed in the following ways:

- **Outdated High Cost In-district Student Adjustment Formula.** The data used to calculate this adjustment is outdated and no longer reflects the actual needs

of students. These datasets have not been updated in decades, rendering the model inaccurate.


- **Prevalence Adjustment Overidentification.** The prevalence adjustment may lead to an overidentification of special education students, driven by limited funding resources rather than a reflection of student need.
- **Expenditure Driven Component Inequities.** This component, which compares a district’s actual spending to the model’s projections, needs to be amended. Wealthier districts are currently receiving more funding per pupil than districts with fewer resources, thereby exacerbating disparities.

MaineCare services also contribute to the overall cost of special education. In 2023, \$96 million was spent on related services, but only \$6 million was billed to MaineCare. This difference suggests funding for these services could be removed from the formula and instead reimbursed directly to districts through MaineCare. Such a shift could help address state budget constraints and the uncertainty caused by potential federal changes. However, MEPRI acknowledges that many districts lack the capacity and human resources to complete the necessary paperwork for MaineCare reimbursement.

Additionally, while MEPRI has access to reliable student data, the EPS formula currently lacks a method for tiering student needs based on factors such as disability, placement setting, or a combination of both. Also missing is access to consistent and accurate data that directly links expenditures to the services provided, making it difficult to assess funding adequacy.

In modeling the impact of the tiered approach, the results showed a significant increase in the formula’s minimum mil rate, currently \$6.62, by as much as 8%. Due to the large increase, MEPRI plans to explore alternative options, including a more responsive hardship system that could offer relief for unanticipated costs arising mid-year. These findings and recommendations will be included in the final report.

During the committee’s discussion, it was noted that MEPRI would also revisit the recommendations contained in a 2018 task force on education funding cost drivers. The findings of that task force were compelling, and researchers believe those recommendations should be revisited. All in all, it is evident that revisions to the formula are needed to ensure adequate funding for special education services.

The third article in this series will focus on the state’s financial contribution to the total cost of public education, as well as the ability of taxpayers to fund the local share. 

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The Complexity of Funding Public Education

State share and local ability to pay.

By Rebecca Lambert

Through the passage of LD 2286 in April of 2024, the Maine Educational Policy Research Institute (MEPRI) was directed to conduct a targeted review of how public education is funded in Maine, including examining the components of the Essential Programs and Service (EPS) funding formula. The first article in this series, published in October 2025, outlined the components of the EPS formula and highlighted key data trends. The second article, published in November 2025, explored regional cost variations and the impact of special education expenses within the EPS formula. This article examines how Maine finances public education, the sharing of costs between the State and property taxpayers, and the effectiveness of the current EPS funding model.

The presentation, delivered by MEPRI to the Education and Cultural Affairs (ECA) Committee on April 15, 2025, is available on the committee's website here: <https://legislature.maine.gov/audio/#208?event=94483&start-Date=2025-04-15T13:00:00-04:00>. What follows is a summary of the presentation.

As a reminder, there are two parts to the EPS formula, the cost model side which is what has been discussed up to this point, and the distribution of state aid, the topic being covered here. The cost model side of the formula helps to set the minimum cost of education, while the distribution of state aid intends to help those communities who are viewed as “less wealthy.” In a nutshell, the intent behind the state subsidy is to level the playing field among communities so those with less ability to pay will still be able to fulfill the constitutional requirement to provide an adequate public education.

So how does the formula determine a community's ability to pay? Based on the idea that all towns and cities will make a similar effort to fund their schools, a statewide mil rate expectation is set. Multiplying a town or city's state valuation by the mil rate yields the minimum amount property taxpayers must raise to receive state funding. It is important to note that in many “property value wealthy”

communities, the minimum mil rate raises the revenues necessary to fund the total cost of public education, *as calculated by the EPS model*. These municipalities, referred to as “minimum receivers,” do receive state aid, but at much lower levels than other communities.

Maine municipalities are conflicted about the EPS formula because it relies heavily on local property valuations to determine how much each community must contribute to school funding, assuming property value reflects a community's ability to pay. In many towns, especially those with rising waterfront or resort-area property values owned by residents with modest incomes, this creates a mismatch between what the EPS model expects and what taxpayers can realistically afford. At the same time, the formula funds only a minimum level of educational services, leaving districts to raise additional funds to meet modern needs such as special education, mental-health support, and transportation—services critical in the educational environment. This results in the creation of winners and losers in a system designed to promote equity and can produce both funding gaps and disproportionate tax burdens, depending on the community.

Although the law requires the state to fund 55% of the cost of education, additional components are factored into the formula, including career and technical education, targeted education programs, and charter schools. Funding for those additional components comes out of the state's share of the total cost of education. As the costs of these additional programs increase, it cuts into the state's share of EPS, thereby increasing the required minimum local share.

Property taxpayers across the state are largely responsible for paying the local share, as other sources of municipal revenues are limited both with respect to the dollars raised and acceptable uses of non-property tax revenue. This was highlighted in the data MEPRI shared with members of the ECA committee, which concluded, what municipal officials have known for years, that Maine is highly reliant on property taxes to fund school, county and municipal government services.

In the process of examining the state share and local ability to pay, MEPRI encountered a few challenges, particularly with respect to equity.

One of the identified challenges is the result of the varying differences in assessed values among municipalities.

ABOUT THIS SERIES

About this Series: This four-part series summarizes the Maine Educational Policy Research Institute's review of the Essential Programs and Services funding formula, which establishes the minimum cost of educating pre-kindergarten through grade 12 students. Part three of the series focuses on the state share of public education funding and the property owner's ability to pay.

When applying the statewide mil rate under the formula, municipalities with higher assessed values and lower student counts at times can raise more than the EPS calculates as the district's share. Since towns and cities are not required to raise more than their EPS allocation, the actual mil rate is less than the statewide mil rate established under the school funding law.

Over 40% of Maine's 252 school districts have one or more communities that are minimum receivers under the EPS formula. For perspective, of those 104 districts, 45 have fewer than 100 students (32 of those do not operate schools), 24 are combined districts (like a regional school unit) where only some communities have an effective local mil rate below the statewide rate, and 25 are from communities with high property values due to significant vacation or commercial property.

When looking at the formula from a single statewide school district perspective, some might argue that municipalities able to raise the required minimum local share under the established mil rate expectation are not contributing fully to the cost of educating Maine students. From MEPRI's perspective, this results in the inflation of the statewide mil rate expectation for all communities and begs the question of whether all Maine towns should be required to make the same tax effort toward public education. While valid, the observation must be tempered by the reality that minimum receiver communities currently do not receive much state aid when it comes to public education. A required statewide mil rate would force these minimum receiver communities to raise more funds for education, shifting additional financial burdens onto their property taxpayers.

Answers to this complicated question can come in a variety of forms, but options include staying with the status quo (assuming the current system is fine), using the assessment of a statewide education property tax (which

has failed in the past), or designing a regional property tax revenue pool to fund the local share of public education.

Another concern in terms of equity is that taxes on property are regressive. For example, those with lower incomes will use a greater share of their resources to fund property taxes. In the presentation, MEPRI staff provided two examples illustrating how median income affects a local community's ability to pay for public education. These examples led to the question of whether all communities should be assessed at the same mil rate or if communities with lower incomes should pay a lower mil rate.

It's worth noting that the constitution of Maine provides that "all taxes upon real and personal estate...shall be apportioned and assessed equally according to the just value thereof" and further states that the Legislature has the power to assess school taxes according to any cost sharing formula it may authorize. It may be the case that further exploration regarding constitutional limits is needed before changes can be made in this area of the formula.

Another challenge that arose, and remains unresolved, is that within any community, some property owners cannot afford their taxes. Based on information from Maine Revenue Services (MRS), residential properties have experienced increases in assessed values, due to market demands. Since the EPS formula was not designed to anticipate or respond to the recent and rapid increases in the assessed values of residential property, additional burdens have been shifted from other classes of property (e.g., industrial, commercial) to homeowners for the funding of public education.

To put an example into simple terms, if the statewide mil rate is set at 6 mils, and the value of a property value increases by 10%, the mil rate is still set at 6 mils and the tax bill will be 10% more, regardless of the need to raise property taxes for county and municipal programs and services.

MEPRI provided several options for local property tax relief that included the creation of new local revenue streams, expansion of the ways to alleviate the property tax burden on lower income individuals, and the combination of the two options to ensure a purposeful balance is created between the taxation of poor and wealthy residents. Additionally, MEPRI provided data on what other states offer in terms of revenue streams and property tax mechanisms to reduce the burden for residents. It was also mentioned that there are targeted programs for individual taxpayers through MRS to help those individuals struggling to pay their tax bills.

The big takeaway from this presentation is that student equity and taxpayer equity are intertwined. With all the data uncovered while conducting this study, determining what is fair and how things might change are core policy questions to answer before any one measure or solution can be advanced. 🏔️



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