

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 1516

6
7 H.P. 1144

House of Representatives, April 25, 1983

8 Submitted by the Department of Educational and Cultural Services
pursuant to Joint Rule 24.

9 Referred to the Committee on Education. Sent up for concurrence and
10 ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative Mitchell of Vassalboro.

11 Cosponsors: Representative Locke of Sebec, Senator Clark of
Cumberland and Representative Randall of East Machias.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT Relating to the Funding of
18 School Construction Projects.
19

20 Be it enacted by the People of the State of Maine as
21 follows:

22 Sec. 1. 20-A MRSa §15503, sub-§9, as enacted by
23 PL 1981, c. 693, §§5 and 8, is amended to read:

24 9. Debt service costs. "Debt service costs,"
25 for subsidy purposes, includes:

26 A. Principal and interest costs for approved
27 major capital projects;

28 B. The portion of the tuition costs applicable
29 to the insured value factor computed under
30 section 5806; ~~and~~

31 C. Lease costs for school buildings when the
32 leases have been approved by the commissioner;
33 and

1 D. Funds allocated by the state board to admin-
2 istrative units to cover the costs of new school
3 construction projects funded in the current
4 fiscal year.

5 Sec. 2. 20-A MRSA §15508, sub-§7, as enacted by
6 PL 1981, c. 693, §§5 and 8, is amended to read:

7 7. Debt service allocation; vocational region
8 debt service. The following provisions apply to debt
9 service allocation, reimbursement for major capital
10 projects, reimbursement for lease costs and voca-
11 tional region debt service.

12 A. Debt service allocation shall be limited to
13 lease expenditures approved by the commissioner,
14 insured value factor expenditures and principal
15 and interest costs for major capital projects.
16 Interest costs connected to projects, or portions
17 thereof, approved in accordance with the funding
18 mechanism established under section 15914, may
19 only be included to the extent allowed under
20 section 15914, subsection 5.

21 B. Principal and interest costs for major capi-
22 tal projects shall be ~~reimbursed~~ paid in the year
23 of allocation. Interest costs connected to
24 projects, or portions thereof, approved in accor-
25 dance with the funding mechanisms established
26 under section 15914, may only be included to the
27 extent allowed under section 15914, subsection 5.

28 C. Reimbursement for lease costs shall be
29 limited to total lease expenditures approved by
30 the commissioner and made during the year prior
31 to the year of allocation.

32 D. State allocation for vocational region debt
33 service shall be computed as follows.

34 (1) A member school administrative ~~units'~~
35 unit's prorated share of the region's debt
36 service payment shall be determined by the
37 region's cost-sharing agreement and shall be
38 included in the member unit's state-local
39 allocation.

1 (2) The state allocation percentage, as de-
2 fined in section 15503, subsection 17, for a
3 member school administrative unit shall be
4 multiplied times the unit's prorated share
5 of the region's debt service payments to
6 establish the state allocation for voca-
7 tional region debt service for that member
8 unit.

9 (3) The sum of the member school adminis-
10 trative units' state allocations for voca-
11 tional region debt service shall be the
12 region's state allocation for debt service.

13 Sec. 3. 20-A MRSA §15905, sub-§1, as enacted by
14 PL 1981, c. 693, §§5 and 8, is amended to read:

15 1. Approval authority. The state board must
16 approve a school construction project.

17 A. The state board may approve projects as so
18 long as no project approval will cause debt ser-
19 vice costs, as defined in section 15503, subsec-
20 tion 9, ~~paragraph~~ paragraphs A and D, to exceed
21 \$30,000,000 in a subsequent fiscal year.

22 B. Nonstate funded projects, such as school con-
23 struction projects or portions of projects
24 financed by proceeds from insured losses, money
25 from federal sources, other noneducational funds
26 or local funds which ~~shall not be reimbursed by~~
27 the State are not eligible for inclusion in an
28 administrative unit's state-local allocation,
29 shall be outside the total cost limitations set
30 by the Legislature.

31 Sec. 4. 20-A MRSA §15907, sub-§§1 and 3, as
32 enacted by PL 1981, c. 693, §§5 and 8, are amended to
33 read:

34 1. Payment of state's share. The state alloca-
35 tion for debt service costs shall be paid by the
36 commissioner to each unit according to that unit's
37 debt retirement schedule and rules adopted pursuant
38 to this chapter.

1 3. Local funds not included in state-local allo-
2 cation. Notwithstanding any other law, the initial
3 local share of school construction projects shall not
4 be considered educational costs for purposes of com-
5 puting ~~the~~ an administrative unit's state and local
6 allocation under chapter 605.

7 Sec. 5. 20-A MRSA §15909, sub-§1, ¶D, as enacted
8 by PL 1981, c. 693, §§5 and 8, is amended to read:

9 D. The unit's initial local share shall not be
10 considered an educational cost for ~~purposes of~~
11 ~~subsidy reimbursement~~ inclusion in the unit's
12 state-local allocation under chapter 605.

13 Sec. 6. 20-A MRSA §15914 is enacted to read:

14 §15914. Current fiscal year funding

15 It is the intent of the Legislature that, not-
16 withstanding any other statute, the \$30,000,000 debt
17 service limit set forth in section 15905, subsection
18 1, paragraph A, should be allocated so that the state
19 share of all new school construction projects will be
20 funded in the current fiscal year starting with
21 fiscal year 1993 or as soon thereafter as possible.
22 This goal shall be accomplished in the following man-
23 ner.

24 1. Allocation of funds. The state board shall
25 allocate the following funds on a pro rata basis to
26 cover the cost of current fiscal year school con-
27 struction projects:

28 A. Funds appropriated for school construction
29 projects by the Legislature which are not neces-
30 sary for the payment of principal and interest
31 costs;

32 B. Funds resulting from interest earned on the
33 investment of unused bond proceeds;

34 C. Funds resulting from the Maine Municipal Bond
35 Bank adjustments; and

36 D. Other excess funds originally scheduled for
37 school construction projects.

1 2. Nonlapsing account. The state board shall
2 place the funds referred to in subsection 1 in a non-
3 lapsing, dedicated revenue and interest earning ac-
4 count to be used solely for meeting the goals and
5 purposes of this section.

6 3. State share. The state's share of a unit's
7 project, or portion thereof, approved in accordance
8 with the funding mechanism established under this
9 section, shall be computed as follows. The state's
10 share of the unit's state-local allocation divided by
11 the unit's state-local allocation as of the date of
12 the project's concept approval shall be multiplied by
13 the total cost of the project, as defined in section
14 15901, subsection 5, to establish the state's share
15 of the project.

16 4. Local share. The local share of a unit's
17 project, or portion thereof, shall be the total cost
18 of the project, as defined in section 15901, subsec-
19 tion 5, minus the state's share, as determined in
20 subsection 3.

21 A. An administrative unit may fund the local
22 share of a school construction project, or por-
23 tion thereof, approved in accordance with the
24 funding mechanism established under this section,
25 by the sale of bonds in its name in the amount of
26 the local share. The administrative unit may
27 also use other sources of revenue allocated or
28 appropriated for school construction projects,
29 such as a sinking fund, to fund, completely or in
30 part, its share of the project costs. The ini-
31 tial local share requirement set forth in section
32 15909, subsection 1, shall not be applicable to
33 these projects, or portions thereof, and shall
34 not be included in computing the reduced total
35 cost.

36 5. Local share included in state-local alloca-
37 tion. An administrative unit's local share of the
38 school construction project may be included in its
39 state-local allocation as follows.

40 A. In the fiscal year in which a unit first
41 incurs a liability for its share of the project
42 costs, it shall report, in accordance with the

1 reporting procedures of chapter 605, its share of
2 those costs.

3 (1) In that fiscal year and in each of the
4 succeeding 9 fiscal years, the commissioner,
5 in accordance with section 15508, subsection
6 3, shall include 1/10 of the unit's share of
7 the project costs in the unit's debt service
8 allocation for each of those years.

9 (2) If bonds were sold pursuant to subsec-
10 tion 4, the principal shall be reported for
11 inclusion in the unit's state-local alloca-
12 tion.

13 (a) An administrative unit may only
14 report for inclusion in its state-local
15 allocation interest payments on the
16 bonds which exceed in any given year
17 1/2 of 1% of the total cost of the
18 project as adjusted, or .1 of one mill
19 multiplied by the unit's state valua-
20 tion, whichever is less. The balance
21 of the interest payments may not be
22 reported for inclusion in the unit's
23 state-local allocation, and shall not
24 be eligible, in any way, for state
25 funding.

26 6. Rules. The state board shall adopt rules to
27 accomplish the goals and purposes of this section.
28 The rules shall include, but not be limited to:

29 A. The gradual transition from financing school
30 construction projects through the sale of bonds
31 to the current fiscal year funding of the state
32 share of all new school construction projects by
33 fiscal year 1993, or as soon thereafter as pos-
34 sible;

35 B. The mechanism for disbursing the funds to
36 eligible school administrative units; and

37 C. The method for the State to use to recapture
38 any excess funds or income earned by administra-
39 tive units by having invested the school con-
40 struction project funds so that the excess funds

1 for income earned may be available to fund addi-
2 tional school construction projects.

3 STATEMENT OF FACT

4 This bill allows the state board to shift the
5 funding of the state share of school construction
6 projects to current fiscal year costs by fiscal year
7 1993, or as soon thereafter as possible. Over a
8 period of approximately 10 years, the funding grad-
9 ually changes from the selling of bonds to finance
10 the state's share of school construction projects to
11 the complete funding of the state share of school
12 construction projects in the fiscal year or years
13 they are under construction. Administrative units
14 would still be able to sell bonds to pay their share
15 of the projects' costs.

16 Section 1 amends Title 20-A, section 15503, sub-
17 section 9, to expand the definition of "debt service
18 costs" to include current fiscal year costs of new
19 school construction projects. This expanded defini-
20 tion of debt service costs is intended to eliminate
21 any inconsistencies which would otherwise result
22 when school construction projects funded under the
23 "current fiscal year" approach are approved in accor-
24 dance with Title 20-A, chapter 609. Similarly, sec-
25 tions 3 and 4, which amend Title 20-A, sections 15905
26 and 15907, are necessary to eliminate other potential
27 conflicts in the law.

28 Section 2 amends Title 20-A, section 15508, sub-
29 section 7, which is the part of the School Finance
30 Act dealing with the allocation of debt service
31 costs, to exclude interest costs as part of that
32 allocation. This change is also necessary to elimi-
33 nate a potential conflict with the language included
34 in the new Title 20-A, section 15914.

35 Sections 3 and 5 merely delete references to the
36 use of the word "reimburse." These changes reflect
37 the fact that the state funding of school construc-
38 tion projects is not a reimbursement structure.
39 Rather, the State participates in the funding of
40 these projects in accordance with the state-local
41 allocation computed for each school administrative
42 unit in any given year.

1 Section 6 provides for the thrust of this bill
2 and authorizes the state board to make the transition
3 from the present funding mechanism to a "current
4 fiscal year funding" process by the year 1993 or as
5 soon thereafter as possible. It authorizes the crea-
6 tion of a dedicated revenue account. The state share
7 of a project will be based on the state share of the
8 unit's state-local allocation as of the date the
9 project receives concept approval from the state
10 board. The state share will be paid as the project
11 is constructed. The local share may be funded
12 through the sale of 10-year bonds. The "initial
13 local share" of one mill or 5% will be deleted. An
14 administrative unit will be solely responsible for
15 the interest costs on the bonds which, in any given
16 year, are equal to or less than 1/2 of 1% of the
17 total cost of the project, as adjusted, or .1 of one
18 mill multiplied by the unit's state valuation, which-
19 ever is less. The unit will be able to report the
20 balance of its interest payments for inclusion in its
21 state-local allocation. Finally, it authorizes the
22 state board to adopt rules to deal with the transi-
23 tion process and the distribution of funds under the
24 proposed current fiscal year funding mechanism.

25 This bill will neither reduce nor increase the
26 state's fiscal responsibilities under the School
27 Finance Act. However, it will free up funds cur-
28 rently used to retire outstanding debts so that they
29 will be available to fund more projects.

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