

# MAINE STATE LEGISLATURE

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# 121st MAINE LEGISLATURE

## SECOND SPECIAL SESSION-2004

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Legislative Document

No. 1924

S.P. 761

In Senate, March 10, 2004

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### **An Act To Reduce the Cost of Local Government through Increased State Education Funding and Provide Property Tax Relief**

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator DOUGLASS of Androscoggin. (GOVERNOR'S BILL)  
Cosponsored by Representative CUMMINGS of Portland and  
Senator: MITCHELL of Penobscot, Representatives: FISCHER of Presque Isle, LEDWIN of  
Holden, MILLS of Cornville.

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

**Sec. 1. 20-A MRSA §15603, sub-§11-A,** as enacted by PL 1993, c. 410, Pt. F, §13, is amended to read:

**11-A. Fiscal capacity.** "Fiscal capacity" means the ability of a municipality to raise property tax revenues. For each year of funding, fiscal capacity is measured as the average of the state valuation amounts for the 2 most recent years prior to the year of funding. For fiscal year 1993-94 and fiscal year 1994-95 only, if the most recent state valuation amount is less than the average of the 2 most recent state valuation amounts, the fiscal capacity of the municipality is considered to be the state valuation for the most recent year. Beginning in fiscal year 2005-06, "fiscal capacity" means the certified state valuation for the year prior to the most recently certified state valuation. The fiscal capacity of a school administrative district or a community school district is the sum of the fiscal capacity amounts of its member municipalities.

**Sec. 2. 20-A MRSA §15603, sub-§26-A, ¶B,** as enacted by PL 1993, c. 410, Pt. F, §15, is amended to read:

B. "Actual local program costs" includes the following:

(1) Bus purchase costs as defined in subsection 7;

(2) Early childhood educational program costs as defined in subsection 10;

(3) Special education costs as defined in subsection 22;

(4) Transportation operating costs as defined in subsection 29. This subparagraph is repealed July 1, 2005; and

(5) Vocational education costs as defined in subsection 30.

**Sec. 3. 20-A MRSA §15609, sub-§2** is enacted to read:

**2. Repeal.** This section is repealed July 1, 2005.

**Sec. 4. 20-A MRSA §15610, sub-§2** is enacted to read:

**2. Repeal.** This section is repealed July 1, 2005.

**Sec. 5. 20-A MRSA §15611, sub-§3** is enacted to read:

2                    3. Repeal. This section is repealed July 1, 2005.

4                    **Sec. 6. 20-A MRSA §15613, sub-§13**, as enacted by PL 1987, c.  
848, §10, is amended to read:

6                    **13. Minimum state allocation.** Effective 1988-89, each  
8 school administrative unit shall ~~be~~ is guaranteed a minimum state  
10 share of its total allocation that is determined by multiplying  
12 5% of the foundation per pupil operating rate by the average  
14 number of resident kindergarten to grade 12 pupils, including  
16 special education tuition pupils, in the unit on April 1st and  
October 1st of the calendar year immediately prior to the year of  
allocation. These funds shall ~~must~~ be included as part of the  
school unit's total allocation as computed under this chapter and  
not as an adjustment to the unit's total allocation. This  
subsection is repealed July 1, 2005.

18                    **Sec. 7. 20-A MRSA §15671, sub-§1**, as enacted by PL 2001, c.  
660, §1, is amended to read:

20                    **1. State and local partnership.** The State and each local  
22 school administrative unit are jointly responsible for  
24 contributing to the cost of the components of essential programs  
and services described in this chapter. The state contribution  
26 to the cost of the components of essential programs and services,  
exclusive of federal funds that are provided and accounted for in  
28 the cost of the components of essential programs and services,  
must be made in accordance with this subsection:

30                    A. The level of the state share of funding attributable to  
32 the cost of the components of essential programs and  
services must be at least 50% of eligible state and local  
34 General Fund education costs statewide, no later than fiscal  
year 2007-08; and

36                    B. By fiscal year 2009-10 the state share of the total cost  
38 of funding public education from kindergarten to grade 12,  
as described by essential programs and services, must be  
40 55%. Beginning in fiscal year 2003-04 2005-06 and in each  
42 fiscal year until fiscal year 2007-08 2009-10, the level of  
the state share of funding attributable to the cost of the  
44 components of essential programs and services described  
costs must increase toward the 50% 55% level of eligible  
state and local General Fund education costs required in  
46 fiscal year 2009-10.

48                    Beginning in fiscal year 2003-04 2005-06 and in each fiscal year  
thereafter, the commissioner shall use the funding level  
determined in accordance with this section as the basis for a

recommended funding level for the state share of the cost of the components of essential programs and services.

**Sec. 8. 20-A MRSA §15671-A** is enacted to read:

**§15671-A. Property tax contribution to public education**

**1. Definitions.** As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

**A. "Funding public education from kindergarten to grade 12" means providing the cost of funding essential programs and services as described in this chapter plus the total allocations for program cost, debt service costs and adjustments.**

**B. "Local cost share expectation" means the maximum amount of money for funding public education from kindergarten to grade 12 that may be derived from property tax.**

**2. Local cost share expectation.** The local cost share expectation is established as follows.

**A. This paragraph applies to the local cost share expectation. Notwithstanding any other provision of law, with respect to the assessment of any property taxes for property tax years beginning on or after April 1, 2005, this subsection establishes the local cost share expectation that may be assessed on the value of property for the purpose of funding public education from kindergarten to grade 12. The commissioner shall annually by February 1st notify each school administrative unit of its local cost share expectation. Each superintendent shall report to the municipal officers whenever a school administrative unit is notified of the local cost share expectation or a change made in the local cost share expectation resulting from an adjustment.**

**B. This paragraph applies to the calculation of the full-value education mill rate. For property tax years beginning on or after April 1, 2005, the commissioner shall calculate the full-value education mill rate that is required to raise the total of the local cost share expectation. The full-value education mill rate is calculated by dividing the applicable tax year percentage of the projected cost of funding public education from kindergarten to grade 12 by the certified total state valuation for the year prior to the most recently certified total state valuation for all municipalities. The**

2 full-value education mill rate must decline over the period  
3 from fiscal year 2005-06 to fiscal year 2009-2010 and may  
4 not exceed 9.0 mills in fiscal year 2005-06 and may not  
5 exceed 8.0 mills in fiscal year 2009-10. The full-value  
6 education mill rate must be applied according to section  
7 15688, subsection 3, paragraph A to determine a  
8 municipality's local cost share expectation.

9 **3. Exceeding maximum local cost share expectations;**  
10 **separate article.** Beginning with the 2009-2010 school budget,  
11 the legislative body of a school administrative unit may adopt  
12 property tax rates that exceed the local cost share expectation  
13 established by section 15688, subsection 3, paragraph A if that  
14 action is approved in a separate article by a vote of the school  
15 administrative unit's legislative body through the same process  
16 that the school budget is approved in that school administrative  
17 unit.

18 **Sec. 9. 20-A MRSA §15672, sub-§23,** as enacted by PL 2003, c.  
19 504, Pt. A, §6, is amended to read:

20 **23. Property fiscal capacity.** "Property fiscal capacity"  
21 means the ~~lesser-of-the-average-of-the~~ certified state valuation  
22 ~~amounts amount~~ for the ~~3-most-recent-years~~ year prior to the year  
23 ~~of-funding-and-the-state-valuation-amount-for-the~~ most recent  
24 ~~year~~ recently certified state valuation.

25 **Sec. 10. 20-A MRSA §15673,** as enacted by PL 2003, c. 504, Pt.  
26 A, §6, is repealed and the following enacted in its place:

27 **§15673. Relationship to School Finance Act of 1985**

28 The provisions of chapter 606 apply for the purposes of  
29 calculating the total allocations for program costs and debt  
30 service and for the purposes of calculating adjustments under  
31 section 15612 and miscellaneous reimbursements and subsidy under  
32 section 15613.

33 **Sec. 11. 20-A MRSA §15683, first ¶,** as enacted by PL 2003, c.  
34 504, Pt. A, §6, is amended to read:

35 For each school administrative unit, that unit's total  
36 operating allocation is the base total set forth in subsection 1  
37 as adjusted in accordance with subsection 2 and including the  
38 total amount for subsection 3.

39 **Sec. 12. 20-A MRSA §15683, sub-§3** is enacted to read:

40 **3. Transportation operating costs.** Transportation  
41 operating costs as defined in section 15603, subsection 29 must

2 be based on prior-year adjusted rates. In order to calculate  
3 adjusted rates, a predicted transportation cost for each school  
4 district based on district pupil transportation densities and the  
5 most recent fiscal year transportation expenditures available  
6 must be established. Predicted costs and actual expenditures per  
7 pupil must be increased 10% to yield an adjusted predicted cost  
8 rate and an adjusted expenditure rate per pupil. The essential  
9 programs and services transportation operating cost per pupil  
10 beginning fiscal year 2005-06 is an amount equal to a school  
11 district's adjusted cost or adjusted expenditure per pupil rate,  
12 whichever is lower.

13  
14 A. In no case may the essential programs and services  
15 transportation operating cost per pupil be less than 75% of  
16 the allocation for the previous year for fiscal years  
17 2005-06 and 2006-07. Beginning in fiscal year 2006-07,  
18 individual school district essential programs and services  
19 transportation operating costs must be based on previous  
20 year's adjusted rates, plus an inflation adjustment.

21  
22 B. Beginning in fiscal year 2005-06, an appeals process to  
23 determine exceptions to the adjusted rates must be  
24 implemented. All appeals must include an analysis of cost  
25 efficiency and a cost comparison with school districts  
26 having comparable pupil transportation density indices.

27  
28 **Sec. 13. 20-A MRS §15684, sub-§3** is enacted to read:

29  
30 **3. Repeal.** This section is repealed July 1, 2005.

31  
32 **Sec. 14. 20-A MRS §15686**, as enacted by PL 2003, c. 504, Pt.  
A, §6, is amended to read:

33  
34 **§15686. Transition adjustment**

35  
36 For each of the fiscal years described in section 15671,  
37 subsection 7, the commissioner shall establish a transition  
38 adjustment calculated to minimize the adverse fiscal impact  
39 directly---related---to that may be experienced by some  
40 municipalities as a result of the phase-in of this Act. The  
41 transition adjustment for a municipality must be directly related  
42 to the phase-in of essential programs and services and the local  
43 cost share expectation method under section 15671-A of  
44 determining the local contribution to the cost of funding  
45 essential programs and services. The amount of this adjustment  
46 must decline with each successive fiscal year, and the  
47 adjustments must end no later than fiscal year 2009-10.

48  
49 **Sec. 15. 20-A MRS §§15688 and 15689** are enacted to read:

50

2 **§15688. School administrative unit contribution to total cost of**  
3 **funding public education from kindergarten to grade 12**

4 **1. School administrative unit; total cost.** For each school  
5 **administrative unit, the commissioner shall annually determine**  
6 **the school administrative unit's total cost of education. A**  
7 **school administrative unit's total cost of education must include:**

8  
9 **A. The school administrative unit's total cost of funding**  
10 **essential programs and services subject to the transition**  
11 **percentages described in section 15671, subsection 7,**  
12 **paragraph A;**

13 **B. The program cost allocation as used in chapter 606; and**

14 **C. The debt service allocation as used in chapter 606.**

15  
16  
17 **2. Member municipalities in school administrative districts**  
18 **or community school districts; total costs.** For each  
19 **municipality that is a member of a school administrative district**  
20 **or community school district, the commissioner shall annually**  
21 **determine each municipality's total cost of education. A**  
22 **municipality's total cost of education is the school**  
23 **administrative district's or community school district's total**  
24 **cost of funding multiplied by the percentage that the**  
25 **municipality's most recent calendar year average pupils is to the**  
26 **school administrative district's or community school district's**  
27 **most recent calendar year average pupils.**

28  
29 **3. School administrative unit; contribution.** For each  
30 **school administrative unit, the commissioner shall annually**  
31 **determine the school administrative unit's contribution in**  
32 **accordance with the following.**

33 **A. The school administrative unit's contribution to the**  
34 **total cost of education is the lesser of:**

35 **(1) The total cost for each municipality as described**  
36 **in subsection 1 or 2; and**

37 **(2) The total of the full-value education mill rate**  
38 **calculated in section 15671-A, subsection 2 multiplied**  
39 **by the certified state valuation for the year prior to**  
40 **the most recently certified state valuation for each**  
41 **municipality in the school administrative unit.**

42  
43 **B. The school administrative unit's state contribution to**  
44 **the total cost of education is the total cost of education**  
45 **calculated pursuant to subsection 1 less the school**  
46 **administrative unit's contribution.**



2 administrative unit's contribution calculated pursuant to  
3 paragraph A.

4 4. Effective date. This section takes effect July 1, 2005.

6 **§15689. Adjustments to state share of total allocation**

8 Beginning July 1, 2005, adjustments to the state share of  
9 the total allocation must be made as set out in this section.

10 1. Minimum state allocation. Each school administrative  
12 unit must be guaranteed a minimum state share of its total  
13 allocation that is determined by the sum of the following:

14 A. Multiplying 5% of each school administrative unit's  
16 essential programs and services per-pupil elementary rate by  
17 the average number of resident kindergarten to grade 8  
18 pupils as determined under section 15674, subsection 1,  
19 paragraph C, subparagraph (1); and

20 B. Multiplying 5% of each school administrative unit's  
22 essential programs and services per-pupil secondary rate by  
23 the average number of resident grade 9 to grade 12 pupils as  
24 determined under section 15674, subsection 1, paragraph C,  
25 subparagraph (1).

26 These funds must be included as part of the school administrative  
28 unit's total allocation as computed under this chapter and not as  
29 an adjustment to the school administrative unit's total  
30 allocation.

32 2. Adjustment for debt service grandfather clause. Each  
34 school administrative unit may receive an adjustment for a debt  
35 service grandfather clause determined as follows:

36 A. A school administrative unit is eligible for this  
37 adjustment under the following conditions.

38 (1) The school administrative unit's local share  
40 results in a mill rate expectation less than the local  
41 cost share expectation as described in section 15671-A.

42 (2) The school administrative unit has debt service  
44 costs defined under section 15603, subsection 8 that  
45 have been placed on the state board's priority list by  
46 January 2005.

48 B. The amount of the adjustment is the difference, but not  
49 less than zero, between the state share of the total

2 allocation under this chapter and the amount computed as  
3 follows:

4 (1) The school administrative unit's state share of  
5 the total allocation if the local share was the sum of  
6 the following:

7 (a) The local share amount for the school  
8 administrative unit calculated as the lesser of  
9 the total allocation excluding debt service costs  
10 and the school administrative unit's fiscal  
11 capacity multiplied by the mill rate expectation  
12 established in section 15671-A less .50 mills; and

13 (b) The local share amount for the school  
14 administrative unit calculated as the lesser of  
15 the debt service costs and the school  
16 administrative unit's fiscal capacity multiplied  
17 by .50 mills.

18  
19  
20 3. Adjustment limitations. The amounts of the adjustments  
21 paid to school administrative units or municipalities in  
22 subsections 1 and 2 are limited to the amounts appropriated by  
23 the Legislature for these adjustments.

24  
25 **Sec. 16. Basis for funding costs of education from kindergarten to**  
26 **grade 12.** Notwithstanding any other provision of law, beginning  
27 in fiscal year 2005-06, funding of the costs of education from  
28 kindergarten to grade 12 must be based on the cost of providing  
29 essential programs and services as described in the Maine Revised  
30 Statutes, Title 20-A, chapter 606-B.

31  
32 **Sec. 17. Special education.** To ensure greater consistency in  
33 providing special education services, beginning in fiscal year  
34 2004-05, state-approved guidelines must be utilized in the  
35 identification of children requiring special education services.  
36 Beginning in fiscal year 2004-05, the Department of Education  
37 shall provide to school administrative units training in the  
38 application of the state-approved identification guidelines and  
39 shall conduct periodic reviews to ascertain compliance in the  
40 application of the state-approved guidelines. To ensure greater  
41 equity and efficiency in the use of special education resources,  
42 beginning in fiscal year 2005-06, special education costs must be  
43 included in the essential programs and services operating cost  
44 calculations and be based on a special education funding formula  
45 that adheres to the 4 principles of being cost-based, equitable,  
46 flexible and identification-neutral. The funding formula must  
47 include provisions for providing supplemental funds for school  
48 districts with extraordinary expenses associated with high-cost

2 in-district and out-of-district special education services and  
programs.

4 **Sec. 18. Early childhood and vocational education.** To ensure  
6 greater equity of education opportunities and efficiency in the  
use of early childhood and vocational education resources,  
8 beginning no later than fiscal year 2007-08, early childhood  
program costs and vocational education program costs must be  
10 included in the essential programs and services operating cost  
calculations.

12  
14 **SUMMARY**

16 The bill provides that by fiscal year 2009-10 the state  
share of kindergarten to grade 12 education funding, as described  
18 by essential programs and services, must be 55%. It also  
establishes a local cost share expectation for property tax years  
beginning on or after April 1, 2005. The Commissioner of  
20 Education shall annually notify each school administrative unit  
of its expectation. This expectation must decline over the  
22 period from fiscal year 2005-06 to fiscal year 2009-10. The  
expectation may not exceed 9.0 mills in fiscal year 2005-06. It  
24 may not exceed 8.0 mills in fiscal year 2009-10. The legislative  
body of a school administrative unit may not adopt a property tax  
26 rate that exceeds its mill expectation unless, in a vote separate  
from its adoption of the school budget, it votes to increase the  
28 property tax rate.

30 The bill also places transportation operating costs into the  
essential programs and services funding formula. It also states  
32 that special education costs will be included in essential  
programs and services starting in fiscal year 2005-06. Beginning  
34 in fiscal year 2004-05, the Department of Education will provide  
training in state-approved guidelines for identification of  
36 special education students. The bill also places early childhood  
education program costs and vocational education program costs  
38 into essential programs and services no later than fiscal year  
2007-08.