

MAINE STATE LEGISLATURE

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L.D. 1

DATE: 1/17/05

(Filing No. H-2)

PROPERTY TAX REFORM

MINORITY

Reproduced and distributed under the direction of the Clerk of the House.

STATE OF MAINE
HOUSE OF REPRESENTATIVES
122ND LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "B" to H.P. 6, L.D. 1, Bill, "An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels"

Amend the bill by striking out everything after the enacting clause and before the emergency clause and inserting in its place the following:

PART A

Sec. A-1. 5 MRSA §1511, as amended by PL 2003, c. 451, Pt. X, §1, is further amended to read:

§1511. Loan Insurance Reserve

The State Controller shall, at the close of each fiscal year, transfer 16% of the Unappropriated Surplus of the General Fund to the Reserve for General Fund Operating Capital until a maximum of \$50,000,000 is achieved. The State Controller is further authorized may, at the close of each fiscal year, to transfer from the Unappropriated Surplus of the General Fund to the Loan Insurance Reserve amounts as may be available from time to time, up to an amount of \$1,000,000 per year after the transfers have been made pursuant to section 1507. The balance of this reserve must be paid to the Finance Authority of Maine if such payment does not cause the balance in the reserve fund maintained by the authority, when added to amounts held in the Finance Authority of Maine Mortgage Insurance Fund that are not committed or encumbered for another purpose, to exceed \$35,000,000. Any balance in the Loan Insurance Reserve is appropriated for this purpose.

2 **Sec. A-2. 5 MRSA §1513**, as amended by PL 2003, c. 451, Pt. X,
§§2 to 4, is repealed.

4 **Sec. A-3. 5 MRSA §1517**, as amended by PL 2003, c. 451, Pt. X,
§6, is repealed.

6 **Sec. A-4. 5 MRSA §1518-A** is enacted to read:

8
§1518-A. Tax Relief Fund for Maine Residents

10
12 **1. Tax Relief Fund for Maine Residents.** There is created
14 the Tax Relief Fund for Maine Residents, which must be used to
provide tax relief to residents of the State. The fund consists
16 of all resources transferred to the fund under section 1536 and
other resources made available to the fund.

18 **2. Nonlapsing fund.** Any unexpended balance in the Tax
20 Relief Fund for Maine Residents may not lapse but must be carried
forward to be used pursuant to subsection 1.

22 **Sec. A-5. 5 MRSA c. 142** is enacted to read:

24 **CHAPTER 142**

26 **MAINE BUDGET STABILIZATION FUND**

28 **§1531. Definitions**

30 As used in this chapter, unless the context otherwise
indicates, the following terms have the following meanings.

32 **1. Average population growth.** "Average population growth"
34 means the average for the prior 10 calendar years, ending with
the most recent calendar year for which data is available, of the
36 percent change in population from July 1st of each year and
estimated by the United States Department of Commerce, Bureau of
38 Census as adjusted and maintained by the Executive Department,
State Planning Office.

40 **2. Average real personal income growth.** "Average real
42 personal income growth" means the average for the prior 10
calendar years, ending with the most recent calendar year for
44 which data is available, of the percent change in personal income
in this State, as estimated by the United States Department of
46 Commerce, Bureau of Economic Analysis, less the percent change in
the Consumer Price Index for the calendar year. For purposes of
48 this subsection, "Consumer Price Index" has the same meaning as
in Title 36, section 5402, subsection 1.

2 3. Baseline General Fund revenue. "Baseline General Fund
revenue" means the recommended General Fund revenue forecast
4 reported by the Revenue Forecasting Committee in its December 1st
report of even-numbered years, increased by the estimated amount
6 of net General Fund revenue decrease, if any, for all enacted
changes reducing state and local tax burden included in that
forecast.

8
10 4. Biennial base year appropriation. "Biennial base year
appropriation" means:

12 A. For the 2006-2007 biennium, the General Fund
appropriation enacted for fiscal year 2004-05 as of December
14 1, 2004; and

16 B. For subsequent fiscal years, the amount of the General
Fund appropriation limitation for the current year as of
18 December 1st of even-numbered years.

20 5. Commissioner. "Commissioner" means the Commissioner of
Administrative and Financial Services.

22
24 6. Forecasted inflation. "Forecasted inflation" means the
average amount of change of the Consumer Price Index for the
calendar years that are part of the ensuing biennium forecasted
26 by the Consensus Economic Forecasting Commission in its November
1st report of even-numbered years.

28
30 7. General Fund revenue shortfall. "General Fund revenue
shortfall" means the amount by which the General Fund
appropriation limitation established by section 1534 exceeds
32 baseline General Fund revenue and other available resources in
each state fiscal year.

34
36 8. Stabilization fund. "Stabilization fund" means the
Maine Budget Stabilization Fund established in this chapter.

38
40 9. State and local tax burden. "State and local tax
burden" means the total amount of state and local taxes paid by
Maine residents, per \$1,000 of income, as determined annually by
42 the State Tax Assessor based on data from the United States
Department of Commerce, Bureau of Census and Bureau of Economic
Analysis.

44
46 **§1532. Maine Budget Stabilization Fund**

48 1. Generally; stabilization fund established. The Maine
Budget Stabilization Fund is hereby established. Amounts in the
stabilization fund may not exceed 12% of total General Fund
50 revenues in the immediately preceding state fiscal year and,

2 except as provided by section 1533, may not be reduced below 1%
3 of total General Fund revenue in the immediately preceding state
4 fiscal year. For the purposes of this subsection, at the close
5 of a fiscal year, "immediately preceding state fiscal year" means
6 the fiscal year that is being closed.

7 2. Expenditures from fund. Except as otherwise provided in
8 this section, amounts in the stabilization fund may be expended
9 only to offset a General Fund revenue shortfall.

10 3. Fund to be nonlapsing. The balance of the stabilization
11 fund may not lapse but must be carried forward to carry out the
12 purposes of this chapter.

13 4. Investment of funds. The money in the stabilization fund
14 may be invested as provided by law with the earnings credited to
15 the stabilization fund.

16 5. Investment proceeds; exception. At the close of every
17 month during which the stabilization fund is at the 12%
18 limitation described in subsection 1, the State Controller shall
19 transfer from the General Fund to the Retirement Allowance Fund
20 established in section 17251 an amount equal to the investment
21 earnings that otherwise would have been credited to the
22 stabilization fund.

23 6. Death benefits. The Governor shall allocate funds from
24 the stabilization fund as needed to pay benefits due pursuant to
25 Title 25, chapter 195-A. Allocations may be made upon written
26 request of the Chief of the State Police, the State Fire Marshal
27 or the Director of Maine Emergency Medical Services and after
28 consultation with the State Budget Officer.

29 **§1533. Declaration of budget emergency**

30 If the Legislature has adjourned sine die prior to the close
31 of a fiscal year and the commissioner has provided notification
32 as required by section 1668 that indicates that available General
33 Fund resources will not be sufficient to meet General Fund
34 expenditures, the commissioner may declare a budget emergency.
35 At the close of the fiscal year, the State Controller may
36 transfer from the available balance in the stabilization fund to
37 the General Fund Unappropriated Surplus up to the amount
38 necessary to increase total General Fund resources for that
39 fiscal year to be equal to General Fund expenditures. For the
40 purposes of this section, the Governor may reduce the
41 stabilization fund below the 1% minimum threshold established by
42 section 1532. The Governor shall inform the Legislative Council
43 and the joint standing committee of the Legislature having

jurisdiction over appropriations and financial affairs immediately upon such transfers from the stabilization fund.

§1534. General Fund appropriation limitation

1. Establishment of General Fund appropriation limitation.

As of December 1st of each even-numbered year, there must be established a General Fund appropriation limit for the ensuing biennium. The General Fund appropriation limit applies to all General Fund appropriations, except that the additional cost for essential programs and services for kindergarten to grade 12 education under Title 20-A, chapter 606-B over the fiscal year 2004-05 appropriation for general purpose aid for local schools is excluded from the General Fund appropriation limitation until the state share of that cost reaches 55% of the total state and local cost.

A. For the first fiscal year of the biennium, the General Fund appropriation limitation is equal to the biennial base year appropriation multiplied by one plus the growth limitation factor in subsection 2.

B. For the 2nd year of the biennium, the General Fund appropriation limit is the General Fund appropriation limitation of the first year of the biennium multiplied by one plus the growth limitation factor in subsection 2.

2. Growth limitation factor. The growth limitation factor is calculated as follows.

A. For fiscal years when the State Tax Assessor has determined that the state and local tax burden ranks in the highest 1/3 of all states, the growth limitation factor is average real personal income growth, but no more than 2.75%, plus average population growth.

B. For fiscal years when the state and local tax burden ranks in the middle 1/3 of all states, as determined by the State Tax Assessor, the growth limitation factor is average real personal income growth plus forecasted inflation plus average population growth.

3. Exceeding General Fund appropriation limitation; extraordinary circumstances. The General Fund appropriation limitation established in subsection 1 may be exceeded for extraordinary circumstances only under the following circumstances.

A. The extraordinary circumstances must be circumstances outside the control of the Legislature, including:

2 (1) Catastrophic events such as natural disaster,
terrorism, fire, war and riot;

4 (2) Unfunded or underfunded state or federal mandates;

6 (3) Citizens' initiatives or other referenda;

8 (4) Court orders or decrees; or

10 (5) Loss of federal funding.

12 Extraordinary circumstances do not include changes in
economic conditions, revenue shortfalls, increases in
14 salaries or benefits, new programs or program expansions
that go beyond existing program criteria and operation.

16 B. The appropriation limitation in subsection 1 may be
18 exceeded only by a vote of both Houses of the Legislature in
a separate measure that identifies the extraordinary
20 circumstance and the intent of the Legislature to exceed the
appropriation limitation.

22 C. Exceeding the appropriation limitation established in
24 subsection 1 permits appropriations to exceed the
appropriation limitation only for the period necessary to
26 address the extraordinary circumstance and does not increase
the base for purposes of calculating the appropriation
28 limitation for future years.

30 4. Increase in appropriation limitation. The appropriation
limitation established in subsection 1 may be increased for other
32 purposes only by a vote of both Houses of the Legislature in a
separate measure that identifies the intent of the Legislature to
34 exceed the appropriation limitation.

36 **§1535. General Fund transfers to stabilization fund**

38 Baseline General Fund revenue, as recommended by the Revenue
Forecasting Commission and authorized in accordance with chapter
40 151-B, and other available budgeted General Fund resources that
exceed the General Fund appropriation limitation established by
42 section 1534 must be transferred to the stabilization fund. The
State Controller, at the close of each fiscal year, shall
44 transfer the available balance remaining in the General Fund to
the stabilization fund after all required deductions of
46 appropriations, budgeted financial commitments and other
adjustments considered necessary by the State Controller.

48 **§1536. Excess General Fund revenues**

50

1 1. First priority reserve. The State Controller shall, as
2 the first priority at the close of each fiscal year, reserve from
3 the unappropriated surplus of the General Fund an amount equal to
4 the excess of total baseline General Fund revenue received over
5 accepted estimates in that fiscal year and transfer that amount
6 at the beginning of the next fiscal year as follows:

8 A. Thirty-two percent to the stabilization fund;

10 B. Thirty-two percent to the Retirement Allowance Fund
11 established in section 17251; and

12 C. Sixteen percent to the Reserve for General Fund
13 Operating Capital.

16 2. Additional transfer. At the close of each fiscal year,
17 the State Controller shall transfer from the unappropriated
18 surplus of the General Fund to the stabilization fund an amount
19 equal to the balance remaining of the excess of total General
20 Fund revenue received over accepted estimates in that fiscal year
21 that would have been transferred to the Reserve for General Fund
22 Operating Capital pursuant to paragraph C had the Reserve for
23 General Fund Operating Capital not been at its statutory limit of
24 \$50,000,000.

26 3. Exceptions; stabilization fund at limit. If the
27 stabilization fund is at its limit of 12% of General Fund revenue
28 of the immediately preceding year, then amounts that would
29 otherwise have been transferred to the stabilization fund
30 pursuant to subsections 1 and 2 must be transferred to the Tax
31 Relief Fund for Maine Residents established in section 1518-A.

32 Sec. A-6. 5 MRSA §1664, last ¶, as enacted by PL 2003, c. 451,
33 Pt. X, §8, is amended to read:

36 The total General Fund appropriation for each fiscal year of
37 the biennium in the Governor's budget submission to the
38 Legislature may not exceed the General Fund appropriation of the
39 previous fiscal year multiplied by one plus the average real
40 personal income growth rate, as defined in section 1665,
41 subsection 1, plus the average forecasted inflation rate
42 limitation established in section 1534. For purposes of this
43 paragraph, "average forecasted inflation rate" means the average
44 forecasted change in the Consumer Price Index underlying the
45 revenue projections developed by the Revenue Forecasting
46 Committee pursuant to chapter 151-B. This appropriation
47 limitation may be exceeded only by the amount of the additional
48 costs or the lost federal revenue from the following exceptional
49 circumstances: unfunded or underfunded new federal mandates;
50 losses in federal revenues or other revenue sources; citizens'

~~initiatives or referenda that require increased state spending, court orders or decrees that require additional state resources to comply with the orders or decrees, and sudden or significant increases in demand for existing state services that are not the result of legislative changes that increased eligibility or increased benefits. The Governor may designate exceptional circumstances that are not explicitly defined in this paragraph but meet the intent of this paragraph. For purposes of this paragraph, "exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.~~

Sec. A-7. 5 MRSA §1665, sub-§1, as amended by PL 2003, c. 451, Pt. X, §9, is further amended to read:

1. **Expenditure and appropriation requirements.** On or before September 1st of the even-numbered years, all departments and other agencies of the State Government and corporations and associations receiving or desiring to receive state funds under the provisions of law shall prepare, in the manner prescribed by and on blanks furnished them by the State Budget Officer, and submit to the officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing biennium contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the current fiscal year. The total General Fund appropriation requests submitted by each department and agency for each fiscal year may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate or 2.75%, whichever is less. For purposes of this subsection, "average real personal income growth rate" means the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in this State for a calendar year, as estimated by the United States Department of Commerce, Bureau of Economic Analysis, less the percent change in the Consumer Price Index for that calendar year. For purposes of this subsection, "Consumer Price Index" has the same meaning as in Title 36, section 5402, subsection 1. The expenditure estimates shall must be classified to set forth the data by funds, organization units, character and objects of expenditure. The organization units may be subclassified by functions and activities, or in any other manner, at the discretion of the State Budget Officer.

All departments and other agencies receiving or desiring to receive state funds from the Highway Fund shall submit to the officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing biennium that do

2 not exceed the Highway Fund appropriation of the previous fiscal
3 year multiplied by one plus the average real personal income
4 growth rate or 2.75%, whichever is less. The Highway Fund
5 highway and bridge improvement accounts are exempt from this
6 spending limitation.

7 **Sec. A-8. 5 MRSA §1710-F, sub-§4** is enacted to read:

8 **4. Appropriation limitation.** The committee shall make all
9 determinations necessary to make the appropriation limitation
10 calculations required under chapter 142.

11 **Sec. A-9. 5 MRSA §13063-C, sub-§4, ¶B,** as amended by PL 2003,
12 c. 451, Pt. X, §10, is further amended to read:

13 B. Notwithstanding section 1585, any balance remaining in
14 the program after July 31, 2007 must be transferred to the
15 Maine Budget Stabilization Fund as established in section
16 ~~1513~~ 1532.

17 **Sec. A-10. 5 MRSA §17253, sub-§3,** as enacted by PL 1995, c.
18 464, §15, is amended to read:

19 **3. Components of unfunded liability contribution.** The
20 annual valuation report prepared by the actuary in accordance
21 with section 17107 must include identification of the impact on
22 the employer contribution rate of any excess General Fund
23 revenues transferred to the Retirement Allowance Fund pursuant to
24 section ~~1517~~ 1532.

25 **Sec. A-11. 5 MRSA §22001, sub-§13,** as enacted by PL 2001, c.
26 439, Pt. T, §5, is amended to read:

27 **13. Trust fund.** "Trust fund" means the Baxter Compensation
28 Authority Other Special Revenue Fund account authorized pursuant
29 to former section 1513, subsection 1-T, ~~or its successor.~~

30 **Sec. A-12. 25 MRSA §1612, sub-§7,** as amended by PL 2003, c.
31 451, Pt. X, §13, is further amended to read:

32 **7. Payment from the Maine Budget Stabilization Fund.**
33 Benefits are payable from the Maine Budget Stabilization Fund as
34 provided in Title 5, section ~~1513~~ 1532, subsection 6.

35 **Sec. A-13. Transition; stabilization fund.** Any money in the Maine
36 Budget Stabilization Fund on the effective date of this Act is
37 deemed to be in the Maine Budget Stabilization Fund as
38 reconstituted by this Act.

Sec. A-14. Application of appropriation limit; 2006-2007 biennium.

This Part applies to fiscal biennia beginning on or after July 1, 2005. The appropriation limit for the 2006-2007 biennium must be established based on the status of the factors for calculating the growth limitations as of December 1, 2004.

PART B

Sec. B-1. 30-A MRSA §706-A is enacted to read:

§706-A. Limitation on county assessments

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

A. "Average real personal income growth" means the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in this State, as estimated by the United States Department of Commerce, Bureau of Economic Analysis, less the percent change in the Consumer Price Index for the calendar year. For purposes of this subsection, "Consumer Price Index" has the same meaning as in Title 36, section 5402, subsection 1.

B. "County assessment" means total annual county appropriations reduced by all resources available to fund those appropriations other than the county tax.

C. "Forecasted inflation" means the average amount of change of the Consumer Price Index for the calendar years that are part of the ensuing biennium forecasted by the Consensus Economic Forecasting Commission in its November 1st report of even-number years.

D. "Property growth factor" means the percentage equivalent to a fraction established by a county, whose denominator is the total valuation of all municipalities, plantations and unorganized territory in the county, and whose numerator is the amount of increase in the assessed valuation of any real or personal property in those jurisdictions that became subject to taxation for the first time, or taxed as a separate parcel for the first time for the most recent property tax year for which information is available, or that has had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or expansion of the property.

2 E. "State and local tax burden" means the total amount of
3 state and local taxes paid by Maine residents per \$1,000 of
4 income, as determined annually by the State Tax Assessor
5 based on data from the United States Department of Commerce,
6 Census Bureau and Bureau of Economic Analysis.

7 2. County assessment limit. Except as otherwise provided
8 in this section, a county may not in any year adopt a county
9 assessment that exceeds the county assessment limit established
10 in this subsection.

11 A. The county assessment limit for the first fiscal year
12 for which this section is effective is the county assessment
13 for the county for the immediately preceding fiscal year
14 multiplied by one plus the growth limitation factor pursuant
15 to subsection 3.

16 B. The county assessment limit for subsequent fiscal years
17 is the county assessment limit for the preceding year
18 multiplied by the growth limitation factor pursuant to
19 subsection 3.

20 C. If a previous year's county assessment reflects the
21 effect of extraordinary, nonrecurring events, the county may
22 submit a written notice to the State Tax Assessor requesting
23 an adjustment in its county assessment limit.

24 3. Growth limitation factor. The growth limitation factor
25 is calculated as follows.

26 A. For fiscal years when the State Tax Assessor has
27 determined that the state and local tax burden ranks in the
28 highest 1/3 of all states, the growth limitation factor is
29 average real personal income growth but no more than 2.75%,
30 plus the property growth factor.

31 B. For fiscal years when the state and local tax burden
32 ranks in the middle 1/3 of all states, as determined by the
33 State Tax Assessor, the growth limitation factor is the
34 average real personal income growth plus forecasted
35 inflation plus the property growth factor.

36 4. Adjustment for new state funding. If the State
37 provides net new funding to a county for existing services funded
38 in whole or in part by the county assessment, other than required
39 state mandate funds pursuant to section 5685 that do not displace
40 current county assessment expenditures, the county shall lower
41 its county assessment limit in that year in an amount equal to
42 the net new funds. For purposes of this subsection, "net new
43 funds" means the amount of funds received by the county from the
44 state.

2 State in that fiscal year, with respect to services funded in
3 whole or in part by the county assessment, less the product of
4 the following: the amount of such funds received in the prior
5 fiscal year multiplied by the growth limitation factor described
6 in subsection 3. If a county receives net new funds in any
7 fiscal year for which its county assessment limit has not been
8 adjusted as provided in this subsection, the county shall adjust
9 its county assessment limit in the following year in an amount
10 equal to the net new funds.

11 5. Exceeding county assessment limit; extraordinary
12 circumstances. The county assessment limit established in
13 subsection 2 may be exceeded for extraordinary circumstances only
14 under the following circumstances.

15 A. The extraordinary circumstances must be circumstances
16 outside the control of the county budget authority,
17 including:

18 (1) Catastrophic events such as natural disaster,
19 terrorism, fire, war or riot;

20 (2) Unfunded or underfunded state or federal mandates;

21 (3) Citizens' initiatives or other referenda;

22 (4) Court orders or decrees; or

23 (5) Loss of state or federal funding.

24 Extraordinary circumstances do not include changes in
25 economic conditions, revenue shortfalls, increases in
26 salaries or benefits, new programs or program expansions
27 that go beyond existing program criteria and operation.

28 B. The county assessment limit may be exceeded only as
29 provided in subsection 7.

30 C. Exceeding the county assessment limit established in
31 subsection 2 permits the county assessment to exceed the
32 county assessment limit only for the year in which the
33 extraordinary circumstance occurs and does not increase the
34 base for purposes of calculating the county assessment limit
35 for future years.

36 6. Increase in county assessment limit. The county
37 assessment limit established in subsection 2 may be increased for
38 other purposes only as provided in subsection 7.

2 7. Process for exceeding county assessment limit. A county
3 may exceed or increase the county assessment limit only if
4 approved by a vote of a majority of all the members of both the
5 county budget committee or county budget advisory committee and
6 the county commissioners.

7 Unless a county charter otherwise provides or prohibits a
8 petition and referendum process, if a written petition, signed by
9 at least 10% of the number of voters voting in the last
10 gubernatorial election in the county, requesting a vote on the
11 question of exceeding the county assessment limit is submitted to
12 the county commissioners within 30 days of the commissioners'
13 vote pursuant to this subsection, the article voted on by the
14 commissioners must be submitted to the legal voters in the next
15 regular election or a special election called for that purpose.
16 The election must be called, advertised and conducted according
17 to the law relating to municipal elections, except that the
18 registrar of voters is not required to prepare or the clerk to
19 post a new list of voters. For the purpose of registration of
20 voters, the registrar of voters must be in session the secular
21 day preceding the election. The voters shall indicate by a cross
22 or check mark placed against the word "Yes" or "No" their opinion
23 on the article. The results must be declared by the county
24 commissioners and entered upon the county records.

25 8. Treatment of surplus; reserves. Any county tax revenues
26 collected by a county in any fiscal year in excess of its county
27 assessment limit, as determined by a final audited accounting,
28 must be transferred to a county tax relief fund, which each
29 county must establish, and used to reduce county assessments in
30 subsequent fiscal years. Nothing in this subsection limits the
31 ability of a county to maintain adequate reserves.

32 9. Enforcement. If a county adopts a county assessment in
33 violation of this section, the State Tax Assessor may require the
34 county to adjust its county assessment downward in an amount
35 equal to the illegal county assessment and impose such other
36 penalties as the Legislature may provide.

37 **Sec. B-2. Application.** This Part applies to county fiscal
38 years that begin on or after July 1, 2005.

40
41
42
43
44 **PART C**

45 **Sec. C-1. 30-A MRS §5721-A is enacted to read:**

46 **§5721-A. Limitation on municipal property tax levy**
47

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

4
5 A. "Average real personal income growth" means the average
6 for the prior 10 calendar years, ending with the most recent
7 calendar year for which data is available, of the percent
8 change in personal income in this State, as estimated by the
9 United States Department of Commerce, Bureau of Economic
10 Analysis, less the percent change in the Consumer Price
11 Index for the calendar year. For purposes of this
12 subsection, "Consumer Price Index" has the same meaning as
13 in Title 36, section 5402, subsection 1.

14
15 B. "Forecasted inflation" means the average amount of
16 change of the Consumer Price Index for the calendar years
17 that are part of the ensuing biennium forecasted by the
18 Consensus Economic Forecasting Commission in its November
19 1st report of even-number years.

20
21 C. "Property growth factor" means the percentage equivalent
22 to a fraction established by a municipality, whose
23 denominator is the total valuation of the municipality, and
24 whose numerator is the amount of increase in the assessed
25 valuation of any real or personal property in the
26 municipality that became subject to taxation for the first
27 time, or taxed as a separate parcel for the first time for
28 the most recent property tax year for which information is
29 available, or that has had an increase in its assessed
30 valuation over the prior year's valuation as a result of
31 improvements to or expansion of the property.

32
33 D. "Property tax levy" means the total annual municipal
34 appropriations, excluding assessments properly issued by a
35 county of which the municipality is a member and amounts
36 governed by and appropriated in accordance with Title 20-A,
37 chapter 606-B, appropriated as the local share of the cost
38 of essential programs and services under Title 20-A, chapter
39 606-B, to pay assessments properly issued by a school
40 administrative unit or tuition for students or amounts
41 attributable to a tax increment financing district agreement
42 or similar special tax district, reduced by all resources
43 available to fund those appropriations other than the
44 property tax.

45
46 E. "State and local tax burden" means the total amount of
47 state and local taxes paid by Maine residents per \$1,000 of
48 income, as determined annually by the State Tax Assessor
49 based on data from the United States Department of Commerce,
50 Census Bureau and Bureau of Economic Analysis.

2 2. Property tax levy limit. Except as otherwise provided
in this section, a municipality may not in any year adopt a
4 property tax levy that exceeds the property tax levy limit
established in this subsection.

6 A. The property tax levy limit for the first fiscal year
8 for which this section is effective is the property tax levy
for the municipality for the immediately preceding fiscal
10 year multiplied by one plus the growth limitation factor
pursuant to subsection 3.

12 B. The property tax levy limit for subsequent fiscal years
14 is the property tax levy limit for the preceding year
multiplied by the growth limitation factor pursuant to
16 subsection 3.

18 C. If a previous year's property tax levy reflects the
effect of extraordinary, nonrecurring events, the
20 municipality may submit a written notice to the State Tax
Assessor requesting an adjustment in its property tax levy
22 limit.

24 3. Growth limitation factor. The growth limitation factor
is calculated as follows.

26 A. For fiscal years when the State Tax Assessor has
28 determined that the state and local tax burden ranks in the
highest 1/3 of all states, the growth limitation factor is
30 average real personal income growth but no more than 2.75%,
plus the property growth factor.

32 B. For fiscal years when the state and local tax burden
34 ranks in the middle 1/3 of all states, as determined by the
State Tax Assessor, the growth limitation factor is the
36 average real personal income growth plus forecasted
inflation plus the property growth factor.

38 4. Adjustment for new state funding. If the State
40 provides net new funding to a municipality for existing services
funded in whole or in part by the property tax levy, other than
42 required state mandate funds pursuant to section 5685 that do not
displace current property tax expenditures, the municipality
44 shall lower its property tax levy limit in that year in an amount
equal to the net new funds. For purposes of this subsection,
46 "net new funds" means the amount of funds received by the
municipality from the State in that fiscal year, with respect to
48 services funded in whole or in part by the property tax levy,
less the product of the following: the amount of such funds
50 received in the prior fiscal year multiplied by the growth

2 limitation factor described in subsection 3. If a municipality
3 receives net new funds in any fiscal year for which its property
4 tax levy limit has not been adjusted as provided in this
5 subsection, the municipality shall adjust its property tax levy
6 limit in the following year in an amount equal to the net new
7 funds.

8 **5. Exceeding property tax levy limit; extraordinary**
9 **circumstances.** The property tax levy limit established in
10 subsection 2 may be exceeded for extraordinary circumstances only
11 under the following circumstances.

12
13 A. The extraordinary circumstances must be circumstances
14 outside the control of the municipal legislative body,
15 including:

16
17 (1) Catastrophic events such as natural disaster,
18 terrorism, fire, war or riot;

19
20 (2) Unfunded or underfunded state or federal mandates;

21
22 (3) Citizens' initiatives or other referenda;

23
24 (4) Court orders or decrees; or

25
26 (5) Loss of state or federal funding.

27
28 Extraordinary circumstances do not include changes in
29 economic conditions, revenue shortfalls, increases in
30 salaries or benefits, new programs or program expansions
31 that go beyond existing program criteria and operation.

32
33 B. The property tax levy limit may be exceeded only as
34 provided in subsection 7.

35
36 C. Exceeding the property tax levy limit established in
37 subsection 2 permits the property tax levy to exceed the
38 property tax levy limit only for the year in which the
39 extraordinary circumstance occurs and does not increase the
40 base for purposes of calculating the property tax levy limit
41 for future years.

42
43 **6. Increase in property tax levy limit.** The property tax
44 levy limit established in subsection 2 may be increased for other
45 purposes only as provided in subsection 7.

46
47 **7. Process for exceeding property tax levy limit.** A
48 municipality may exceed or increase the property tax levy limit
49 only by the following means.

50

2 A. If the municipal budget is adopted by town meeting or by
4 referendum, the property tax levy limit may be exceeded by
6 the same process that applies to adoption of the municipal
budget except that the vote must be by written ballot on a
separate article that specifically identifies the intent to
exceed the property tax levy limit.

8 B. If the municipal budget is adopted by a town council or
10 city council, the property tax levy limit may be exceeded
12 only by a majority vote of all the elected members of the
14 town council or city council on a separate article that
16 specifically identifies the intent to exceed the property
18 tax levy limit. Unless a municipal charter otherwise
20 provides or prohibits a petition and referendum process, if
22 a written petition, signed by at least 10% of the number of
24 voters voting in the last gubernatorial election in the
26 municipality, requesting a vote on the question of exceeding
28 the property tax levy limit is submitted to the municipal
30 officers within 30 days of the council's vote pursuant to
32 this paragraph, the article voted on by the council must be
submitted to the legal voters in the next regular election
or a special election called for that purpose. The election
must be called, advertised and conducted according to the
law relating to municipal elections, except that the
registrar of voters is not required to prepare or the clerk
to post a new list of voters. For the purpose of
registration of voters, the registrar of voters must be in
session the secular day preceding the election. The voters
shall indicate by a cross or check mark placed against the
word "Yes" or "No" their opinion on the article. The
results must be declared by the municipal officers and
entered upon the municipal records.

34 8. Treatment of surplus; reserves. Any property tax
36 revenues collected by a municipality in any fiscal year in excess
38 of its property tax levy limit, as determined by a final audited
40 accounting, must be transferred to a property tax relief fund,
42 which each municipality must establish, and used to reduce
property tax levies in subsequent fiscal years. Nothing in this
subsection limits the ability of a municipality to maintain
adequate reserves pursuant to section 5801.

44 9. Fractional divisions. A municipality may, consistent
46 with Title 36, section 710, exceed its property tax levy limit in
such reasonable amount as necessary to avoid fractional divisions.

48 10. Enforcement. If a municipality adopts a property tax
levy in violation of this section, the State Tax Assessor may
require the municipality to adjust its property tax levy downward

2 in an amount equal to the illegal property tax levy and impose
3 such other penalties as the Legislature may provide.

4 **Sec. C-2. 30-A MRSA §7102.** as enacted by PL 1987, c. 737,
5 Pt. A, §2 and Pt. C, §106 and amended by PL 1989, c. 6; c. 9, §2;
6 and c. 104, Pt. C, §§8 and 10, is further amended by adding at
7 the end a new paragraph to read:

8 The property tax levy limits set forth in section 5721-A
9 apply to the budgets and property tax levies of plantations.

12 **Sec. C-3. Application.** This Part applies to municipal fiscal
13 years that begin on or after July 1, 2005.

16 **PART D**

18 **Sec. D-1. 5 MRSA §17154, sub-§6, ¶E,** as amended by PL 2003, c.
19 504, Pt. B, §1, is further amended to read:

20 E. Notwithstanding this section, the employer retirement
21 costs related to the retirement system applicable to those
22 teachers whose funding is provided directly or through
23 reimbursement from private or public grants must be paid by
24 local school systems from those funds. "Public grants" does
25 not include state or local funds provided to school
26 administrative units under Title 20-A, chapters 315, 606 and
27 606-B.

30 **Sec. D-2. 20-A MRSA §1, sub-§§17 and 18,** as amended by PL
31 1999, c. 75, §1, are further amended to read:

32 **17. Major capital costs.** "Major capital costs" is defined
33 in section ~~15603, subsection 17~~ 15672, subsection 18-A.

36 **18. Minor capital costs.** "Minor capital costs" is defined
37 in section ~~15603, subsection 18~~ 15672, subsection 20-A.

38 **Sec. D-3. 20-A MRSA §1301, sub-§1, ¶A,** as amended by PL 1993,
39 c. 410, Pt. F, §3, is further amended to read:

42 A. Under a property valuation method, municipalities in a
43 district shall share costs in the same proportion as each
44 municipality's fiscal capacity as defined in section ~~15603,~~
45 ~~subsection 11-A~~ 15672, subsection 23 is to the district's
46 fiscal capacity.

48 **Sec. D-4. 20-A MRSA §1301, sub-§1, ¶B,** as amended by PL 2001,
49 c. 375, §1, is further amended to read:

2 B. Under an alternate plan approved by the state board and
by a vote of the legislative bodies of the school
4 administrative units forming the district and based on:

6 (1) The number of resident pupils in each town;

8 (2) The fiscal capacity of each member municipality as
defined in section ~~15603,--subsection--11-A~~ 15672,
subsection 23;

10 (3) Any combination of subparagraphs (1) and (2); or

12 (4) Any other factor or combination of factors that
14 may, but need not, include subparagraphs (1) and (2).

16 **Sec. D-5. 20-A MRSA §1307, sub-§3,** as amended by PL 1997, c.
18 68, §1, is further amended to read:

20 **3. Summary action.** To summarize the action taken on the
school budget for the purposes of determining state and local
22 cost sharing, the articles prescribed in chapter ~~606~~ 606-B must
also be voted upon.

24 **Sec. D-6. 20-A MRSA §1307, sub-§4,** as enacted by PL 1997, c.
26 68, §2, is amended to read:

28 **4. Budget explanation.** The warrant may include an
explanation of the relationship between warrant articles
authorizing specific line item expenditures as provided in
30 subsection 1 and the articles prescribed in chapter ~~606~~ 606-B
summarizing the budget proposal.

32 **Sec. D-7. 20-A MRSA §1308,** as amended by PL 1999, c. 710,
34 §6, is further amended to read:

36 **§1308. Failure to pass budget**

38 If a budget for the operating of the district is not
approved prior to July 1st, the latest budget as submitted by the
40 board of directors is automatically considered the budget for
operational expenses for the ensuing year until a final budget is
42 approved, except that, when the school board delays the school
budget meeting in accordance with section ~~15617~~ 15693, subsection
44 2, paragraph C, the operating budget must be approved within 30
days of the date the commissioner notifies the school board of
46 the amount allocated to the school unit under section ~~15613~~
15689-B or the latest budget submitted by the directors becomes
48 the operating budget for the next school year.

2 **Sec. D-8. 20-A MRSA §1311, sub-§1, ¶C**, as amended by PL 1993,
c. 372, §4, is further amended to read:

4 C. Minor capital costs as defined in section ~~15603,~~
6 ~~subsectien-18~~ 15672, subsection 20-A.

8 **Sec. D-9. 20-A MRSA §1351, sub-§1, ¶K**, as amended by PL 1999,
c. 75, §2, is further amended to read:

10 K. To borrow funds for minor capital costs as defined in
12 section ~~15603,--subsectien-18~~ 15672, subsection 20-A.

14 **Sec. D-10. 20-A MRSA §1407, sub-§2**, as amended by PL 1999, c.
16 75, §3, is further amended to read:

18 **2. Expense of keeping the school open.** If the voters vote
20 to keep the school open, the member municipality is liable for
22 some additional expense for actual local operating costs and
24 transportation operating costs as defined in section ~~15603~~
26 15672. The determination of costs is subject to the approval of
the commissioner. The cost to be borne by the town voting to
keep an elementary school open is the amount that would be saved
if the school were closed. Any additional costs that must be
borne by the member municipality must be part of the article
presented to the voters at the meeting to determine whether the
school should remain open.

28 **Sec. D-11. 20-A MRSA §1701, sub-§3**, as amended by PL 1991, c.
30 429, §4, is further amended to read:

32 **3. Time and place.** The district school committee shall
34 call an annual budget meeting on or before June 30th at an hour
36 and in a location within the community school district it
designates, except that the school committee may delay the annual
budget meeting to a date after July 1st in accordance with
section ~~15617~~ 15693, subsection 2, paragraph C.

38 **Sec. D-12. 20-A MRSA §1701, sub-§9, ¶A**, as amended by PL 1999,
40 c. 710, §8, is further amended to read:

42 A. The budget format may be determined by the voters of a
44 community school district by adoption of an appropriate
46 warrant article at a properly called election held in
accordance with the procedure set forth in section ~~15617~~
15693, subsection 6.

48 **Sec. D-13. 20-A MRSA §1701, sub-§12**, as amended by PL 1999, c.
710, §10, is further amended to read:

12. **State-local allocations.** To summarize the action taken on the budget for the purposes of determining the community school district's state-local allocations, the articles prescribed in chapter 606 606-B must also be voted on.

Sec. D-14. 20-A MRSA §1701-B, sub-§5, as enacted by PL 1999, c. 710, §11, is amended to read:

5. **Failure to approve budget.** If the voters do not validate the budget approved in the district budget meeting at the budget validation referendum vote, the district school committee shall hold another district budget meeting in accordance with section 1701, subsection 8 at least 10 days after the referendum to vote on a budget approved by the committee. The budget approved at the district budget meeting must be submitted to the voters for validation at referendum in accordance with this section. The process must be repeated until a budget is approved at a district budget meeting and validated at referendum. If a budget is not approved and validated before July 1st of each year, the latest budget submitted by the committee is automatically considered the budget for operational expenses for the ensuing year until a final budget is approved, except that when the school committee delays the district budget meeting in accordance with section ~~15617~~ 15693, subsection 2, paragraph C the operating budget must be approved within 30 days of the date the commissioner notifies the school committee of the amount allocated to the school unit under section ~~15613~~ 15689-B or the latest budget submitted by the committee becomes the operating budget for the next school year.

Sec. D-15. 20-A MRSA §1704, sub-§1, ¶B, as amended by PL 1993, c. 410, Pt. F, §4, is further amended to read:

B. The fiscal capacity of each member municipality as defined in section ~~15603,--subsection--11-A~~ 15672, subsection 23;

Sec. D-16. 20-A MRSA §4003-A is enacted to read:

§4003-A. Hazardous chemicals

The commissioner shall establish rules governing the purchase and storage of hazardous chemicals in schools.

Sec. D-17. 20-A MRSA §4254, sub-§1, as amended by PL 1997, c. 534, §3, is further amended to read:

1. **Allowable costs.** Allowable costs are the cost of implementing approved plans; these costs may be added to the school unit's subsidizable costs under chapter 606 606-B.

2 **Sec. D-18. 20-A MRSA §5401, sub-§15, ¶C**, as amended by PL
4 2001, c. 667, Pt. C, §11, is further amended to read:

6 C. A school board may obtain a short-term loan or enter
8 into a lease-purchase agreement to acquire school buses if
10 the loan is approved by the unit's legislative body or if
12 funds that can be used for the initial lease-purchase
14 payment have been appropriated by the unit's legislative
16 body. The term of a loan or a lease-purchase agreement may
 not exceed 5 years. The commissioner shall establish a
 maximum amount for annual-term purchases in excess of the
 amount established in paragraph A. Beginning in fiscal year
 2003-04 ~~2005-06~~, these expenditures must be subsidized in
 accordance with ~~section-15603, -subsection-26-A~~ chapter 606-B.

18 **Sec. D-19. 20-A MRSA §6303**, as enacted by PL 1995, c. 427,
20 §1, is amended to read:

22 **§6303. Medicaid for health and human services**

24 A school administrative unit may receive funds from the
26 Medicaid program pursuant to the United States Social Security
28 Act, 42 United States Code, for the provision of preventive
 health, health, habilitation, rehabilitation and social services
 to eligible students ~~in accordance with section-15613, -subsection~~
 16.

30 **Sec. D-20. 20-A MRSA §6651, sub-§3**, as amended by PL 1989, c.
32 414, §16, is repealed.

34 **Sec. D-21. 20-A MRSA §6654**, as amended by PL 1991, c. 550 and
36 PL 2003, c. 689, Pt. B, §6, is further amended to read:

38 **§6654. School-based child care grants**

40 The department and the Department of Health and Human
42 Services are authorized to provide assistance to school
44 administrative units to assist the units in establishing
46 school-based child care services. ~~Any assistance provided must
 provide funds for 2 years and expenditure of those funds is
 considered expenditure of local funds in computing the unit's
 educational program costs in chapter 606. The department has
 full authority to administer any grant program that it operates
 under this section.~~

48 **Sec. D-22. 20-A MRSA §7734-A, first ¶**, as repealed and replaced
 by PL 1999, c. 296, §10, is amended to read:

2 In addition to the programs authorized in this chapter,
3 school administrative units may provide services for children who
4 are disabled in a manner consistent with sections 4251 to 4254,
5 and the cost of such services is subsidizable as special
6 education costs under chapter 606 606-B.

8 **Sec. D-23. 20-A MRSA §8301-A, sub-§§4 and 9**, as enacted by PL
9 1991, c. 518, §2, are amended to read:

10 **4. Municipality.** "Municipality" has the same meaning as in
11 section ~~15603, subsection 19~~ 15672, subsection 21.

12 **9. State subsidy.** "State subsidy" has the same meaning as
13 in section ~~15603, subsection 26~~ 15672, subsection 31-A.

14 **Sec. D-24. 20-A MRSA §8351**, as amended by PL 1991, c. 518,
15 §9 and c. 716, §6 and PL 2003, c. 545, §5, is further amended to
16 read:

17 **§8351. State aid for career and technical education centers
18 and career and technical education regions**

19 State aid for centers and regions must be administered in
20 accordance with chapters 606 606-B and 609 and Title 20, section
21 3457.

22 **Sec. D-25. 20-A MRSA §8402**, as corrected by RR 2003, c. 2,
23 §55, is amended to read:

24 **§8402. Programs**

25 A center shall provide programs of career and technical
26 education. Programs of career and technical education are
27 eligible to receive state subsidy pursuant to chapters 606 606-B
28 and 609. All programs of career and technical education offered
29 by a center must be approved by the commissioner pursuant to
30 section 8306-A. The programs must offer a sequence of courses
31 that are directly related to the preparation of individuals for
32 employment in current or emerging occupations and may include
33 training and education in academic and business skills preparing
34 students to further their education at the community college or
35 other college level or allowing students to use trade and
36 occupational skills on other than an employee basis. Programs of
37 career and technical education may also include alternative
38 educational programs and training and education in music,
39 athletics, art and other activities approved by the commissioner
40 pursuant to section 8306-A.

41 **Sec. D-26. 20-A MRSA §8404, sub-§3, ¶C**, as corrected by RR
42 2003, c. 2, §59, is amended to read:

2 C. Shall, in the event that the school boards of School
3 Administrative District No. 27, School Administrative
4 District No. 33 and Madawaska School Department enter into a
5 cooperative agreement pursuant to section 8401 and a new
6 career and technical education center in Maine School
7 Administrative District No. 33 becomes operational, devise a
8 cost sharing formula for the center established thereby
9 pertaining to the cost of career and technical education
10 programs that exceed expenditures made for those programs in
11 the base year as adjusted pursuant to section ~~15603~~ 15681-A,
12 subsection ~~--5-~~ 4 and to the local share of debt service
13 costs attributable to construction of the center in School
14 Administrative District No. 33;

16 **Sec. D-27. 20-A MRSA §8451-A**, as corrected by RR 2003, c. 2,
17 §61, is amended to read:

18

§8451-A. Programs

20

21 A region shall provide programs of career and technical
22 education. Programs of career and technical education are
23 eligible to receive state subsidy pursuant to chapters ~~606~~ 606-B
24 and 609. All programs of career and technical education offered
25 by a region must be approved by the commissioner pursuant to
26 section 8306-A. The programs must offer a sequence of courses
27 that are directly related to the preparation of individuals for
28 employment in current or emerging occupations and may include
29 training and education in academic and business skills preparing
30 students to further their education at the community college or
31 college level or allowing students to use trade and occupational
32 skills on other than an employee basis. Programs of career and
33 technical education may also include alternative educational
34 programs and training and education in music, athletics, art and
35 other activities approved by the commissioner pursuant to section
36 8306-A.

38 **Sec. D-28. 20-A MRSA §8601-A, sub-§6**, as enacted by PL 1991,
39 c. 518, §33, is amended to read:

40

41 **6. Municipality.** "Municipality" has the same meaning as in
42 section ~~15603,--subsection 19~~ 15672, subsection 21.

44 **Sec. D-29. 20-A MRSA §8605, sub-§2, ¶B**, as amended by PL 1995,
45 c. 665, Pt. J, §1, is further amended to read:

46

47 B. The unit in which such a person resides must be
48 reimbursed in accordance with ~~chapters 606 and 606-A~~ chapter
49 606-B.

50

2 **Sec. D-30. 20-A MRSA §8606-A, sub-§2. ¶C**, as amended by PL
1991, c. 518, §38, is further amended to read:

4 C. The recommendation in the commissioner's funding level
6 certification must include local program cost adjustment to
7 the equivalent of the year prior to the year of allocation.
8 This adjustment is calculated according to the same
9 guidelines established, for purposes of chapter ~~606~~ 606-B,
10 by section ~~15605~~ 15689-C, subsection 3.

12 **Sec. D-31. 20-A MRSA §15622** is enacted to read:

14 **§15622. Repeal**

16 This chapter is repealed July 1, 2005.

18 **Sec. D-32. 20-A MRSA §15671, sub-§1.** as amended by PL 2003, c.
712, §9, is further amended to read:

20 **1. State and local partnership.** The State and each local
21 school administrative unit are jointly responsible for
22 contributing to the cost of the components of essential programs
23 and services described in this chapter. Except as otherwise
24 provided in this subsection, for each fiscal year, the total cost
25 of the components of essential programs and services may not
26 exceed the prior fiscal year's costs multiplied by one plus the
27 average real personal income growth rate as defined in Title 5,
28 section 1665, subsection 1, except that in no case may that rate
29 exceed 2.75%. For fiscal years commencing after the state tax
30 burden ranks in the middle 1/3 of all states, as calculated and
31 certified by the State Tax Assessor, the total cost of the
32 components of essential programs and services may not exceed the
33 prior fiscal year's costs multiplied by one plus the average real
34 personal income growth rate as defined in Title 5, section 1665,
35 subsection 1. The Legislature, by an affirmative vote of each
36 House, may exceed the limitations on increases in the total cost
37 of the components of essential programs and services provided in
38 this subsection, as long as that vote is taken upon legislation
39 stating that it is the Legislature's intent to override the
40 limitation for that fiscal year. The state contribution to the
41 cost of the components of essential programs and services,
42 exclusive of federal funds that are provided and accounted for in
43 the cost of the components of essential programs and services,
44 must be made in accordance with this subsection:

46 A. The level of the state share of funding attributable to
47 the cost of the components of essential programs and
48 services must be at least 50% of eligible state and local
49 General Fund education costs statewide, no later than fiscal
50 year ~~2007-08~~ 2005-06; and

2 B. By fiscal year 2009-10 2006-07 the state share of the
4 total cost of funding public education from kindergarten to
6 grade 12, as described by essential programs and services,
8 must be 55%. ~~Beginning in fiscal year 2005-06 and in each
fiscal year until fiscal year 2009-10, the state share of
essential programs and services described costs must
increase toward the 55% level required in fiscal year
2009-10.~~

10 Beginning in fiscal year 2005-06 and in each fiscal year
12 thereafter, the commissioner shall use the funding level
14 determined in accordance with this section as the basis for a
16 recommended funding level for the state share of the cost of the
components of essential programs and services.

18 **Sec. D-33. 20-A MRSA §15671, sub-§§2, 3, 4 and 6,** as enacted by
PL 2001, c. 660, §1, are amended to read:

20 2. **Per-pupil rate amounts.** A per-pupil guarantee rate
22 represents the an amount of funds that is to be made available
24 for each subsidizable pupil. ~~Three per-pupil guarantee amounts
must be calculated, reflecting grade level cost differences: one
for kindergarten to grade 5, one for grades 6 to 8 and one for
grades 9 to 12. These per-pupil guarantees must be modified as
appropriate for special student populations. The per-pupil
guarantee represents the annual cost of staffing and material
resources that are appropriately allocated on a per-pupil basis.
Categories of staffing and resources are as follows: Per-pupil
rates are determined pursuant to section 15676.~~

32 A. ~~School personnel, including regular and special subject
teachers, educational technicians, guidance, library, health
services, school administration, support or clerical staff
and substitute teachers;~~

36 B. ~~Supplies and equipment;~~

38 C. ~~Specialized services, including professional
development, instructional leadership support, student
assessment, technology and cocurricular and extra-curricular
programs; and~~

44 D. ~~School administrative unit services, including system
administration and operation and maintenance of plant.~~

46 3. **Specialized student populations.** In recognition that
48 educational needs can be more costly for some student populations
50 than for others, ~~modified per-pupil guarantee amounts or weighted
pupil counts must be calculated for specialized student~~

2 populations special student populations are specifically
3 addressed in sections 15675 and 15681-A, subsection 2. The
4 specialized-student-populations-to-be-addressed-are:

6 A.--Special-education-students;

8 B.--Limited-English-proficiency-students;

10 C.--Economically-disadvantaged-students;-and

12 D.--Students-in-kindergarten-to-grade-2.

14 **4. Educational cost components outside the per-pupil rate.**

14 A per-pupil guarantee rate is not a suitable method for
16 allocation of all educational cost components. These components
18 may include, but are not limited to, debt service,
20 transportation, bus purchases, vocational education, small school
22 adjustments, teacher educational attainment and longevity of
service and adjustments to general purpose aid. The funding
methodology of these educational cost components must be
established based on available research.

24 **6. Targeted funds.** Funds for technology, assessment and
26 the costs of additional investments in educating children in
28 kindergarten to grade 2 as described in section 15681 must be
provided as targeted grants. School administrative units shall
submit a plan for the use of these funds and shall receive
funding based on approval of the plan by the commissioner.

30 **Sec. D-34. 20-A MRSA §15671, sub-§7,** as amended by PL 2003, c.
32 712, §10, is further amended to read:

34 **7. Transition; annual targets.** To achieve the system of
36 school funding based on essential programs and services required
by this section, the following annual targets are established.

38 A. The base total calculated pursuant to section 15683,
40 subsection 2 is subject to the following annual targets for
42 the-essential-programs-and-services-transition-percentage,
44 excluding-program-cost-allocation,-debt-service-allocation
46 and-adjustments,-are-as-follows.

44 (1) For fiscal year 2005-06, the target is 84%.

46 (2) For fiscal year 2006-07, the target is 88% 100%.

48 (3)--For-fiscal-year-2007-08,-the-target-is-92%.

50 (4)--For-fiscal-year-2008-09,-the-target-is-96%.

~~(5) -- For fiscal year 2009-10 and succeeding years, the target is 100%.~~

B. The annual targets for the state share percentage of the statewide adjusted total cost of the components of essential programs and services are as follows.

(1) For fiscal year 2005-06, the target is 52.6%.

(2) For fiscal year 2006-07, the target is ~~52.6%~~ 55%.

~~(3) -- For fiscal year 2007-08, the target is 53%.~~

~~(4) -- For fiscal year 2008-09, the target is 54%.~~

~~(5) -- For fiscal year 2009-10 and succeeding years, the target is 55%.~~

Sec. D-35. 20-A MRSA §15671-A, as enacted by PL 2003, c. 712, §11, is amended 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 the essential programs and services described in this chapter plus, including the total allocations for ~~program-cost~~ other subsidizable costs, 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 for the required local contribution established in section 15688, subsection ~~3-~~ 3-A.

C. "Statewide total local share" means the local share, calculated on a statewide basis, of the statewide total cost of the components of essential programs and services as adjusted pursuant to section 15671, subsection 7 to reflect the application of the transition targets to the base total component.

D. "Statewide valuation" means the certified total state valuation for the year prior to the most recently certified total state valuation for all municipalities statewide.

2 2. **Local cost share expectation.** ~~The local cost share~~
3 ~~expectation is established as follows.~~ This subsection
4 establishes full-value education mill rates that limit a
5 municipality's required local contribution pursuant to section
6 15688, subsection 3-A. The full-value mill rates represent rates
7 that, if applied to the statewide valuation, would produce the
8 statewide total local share. Notwithstanding any other provision
9 of law, with respect to the assessment of any property taxes for
10 property tax years beginning on or after April 1, 2005, a
11 municipality's required local contribution determined pursuant to
12 section 15688, subsection 3-A establishes the local cost share
13 expectation for that municipality.

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

28 B. For property tax years beginning on or after April 1,
29 2005, the commissioner shall calculate the full-value
30 education mill rate that is required to raise the statewide
31 total of the local cost share expectation. The full-value
32 education mill rate is calculated for each fiscal year by
33 dividing the applicable ~~tax year percentage of the projected~~
34 ~~cost of funding public education from kindergarten to grade~~
35 12 statewide total local share by the ~~certified total state~~
36 applicable statewide valuation ~~for the year prior to the~~
37 ~~most recently certified total state valuation for all~~
38 ~~municipalities.~~ The full-value education mill rate must
39 decline over the period from fiscal year 2005-06 to fiscal
40 year ~~2009-10~~ 2006-07 and may not exceed 9.0 mills in fiscal
41 year 2005-06 and may not exceed 8.0 mills in fiscal year
42 ~~2009-10~~ 2006-07. The full-value education mill rate must be
43 applied according to section 15688, subsection ~~--3-~~ 3-A,
44 paragraph A to determine a municipality's local cost share
45 expectation. Full-value education mill rates must be
46 derived according to the following schedule.

48 (1) For the 2005 property tax year, the full-value
education mill rate is the amount necessary to result

2 in a 47.4% statewide total local share in fiscal year
2005-06.

4 (2) For the 2006 property tax year, the full-value
education mill rate is the amount necessary to result
6 in a 47.4% 45% statewide total local share in fiscal
year 2006-07.

8 ~~(3) For the 2007 property tax year, the full-value~~
10 ~~education mill rate is the amount necessary to result~~
~~in a 47.0% local share in fiscal year 2007-08.~~

12 ~~(4) For the 2008 property tax year, the full-value~~
14 ~~education mill rate is the amount necessary to result~~
~~in a 46.0% local share in fiscal year 2008-09.~~

16 ~~(5) For the 2009 property tax year, the full-value~~
18 ~~education mill rate is the amount necessary to result~~
~~in a 45.0% local share in fiscal year 2009-10.~~

20
22 **3. Exceeding maximum local cost share expectations;**
separate article. Beginning with the 2005-2006 school budget,
24 the legislative body of a school administrative unit may adopt
~~property tax rates an additional local appropriation~~ that ~~exceed~~
26 exceeds the local cost share expectation established by section
15688, subsection ~~3- 3-A~~, paragraph A only if that action is
28 approved in a separate article by a vote of the school
administrative unit's legislative body through the same process
30 that the school budget is approved in that school administrative
unit and in accordance with section 15690. If that additional
32 appropriation causes the school administrative unit to exceed the
maximum state and local spending target described in subsection
4, the requirements of subsection 5 apply.

34
36 **4. Maximum state and local spending target.** The maximum
state and local spending target for a school administrative unit
38 is the sum of the following costs calculated by the commissioner
for the unit:

40 A. The base total calculated pursuant to section 15683,
42 subsection 1 without the adjustment for transition targets
under section 15671, subsection 7, paragraph A;

44 B. Other subsidizable costs described in section 15681-A;
46 and

48 C. The debt service allocation pursuant to section 15683-A.

50 The commissioner shall annually notify each school administrative
unit of its maximum state and local spending target.

2 5. Exceeding maximum state and local spending target. If
3 the sum of a school administrative unit's required local
4 contribution determined pursuant to section 15688, subsection 3-A
5 plus the state contribution as calculated pursuant to section
6 15688, subsection 3-A, paragraph D plus any additional local
7 amount proposed to be raised pursuant to section 15690,
8 subsection 3 exceeds the school administrative unit's maximum
9 state and local spending target established pursuant to
10 subsection 4, the following provisions govern approval of that
11 additional amount.

12 A. The article approving the additional amount must conform
13 to the requirements of section 15690, subsection 3,
14 paragraph B. Notwithstanding section 1304, subsection 6,
15 section 1701, subsection 7, Title 30-A, section 2528,
16 subsection 5, or any other provision of law, municipal
17 charter provision or ordinance, voter approval of the
18 article, whether in town meeting, district meeting or other
19 voting process established by law, municipal charter or
20 ordinance, including, but not limited to, any vote on the
21 article initiated by voter petition, must be by referendum
22 or written ballot.

23 B. In a municipality where the responsibility for final
24 adoption of the school budget is vested by the municipal
25 charter in a council, this paragraph applies, except that
26 the petition and referendum provisions apply only if the
27 municipal charter does not otherwise provide for or prohibit
28 a petition and referendum process with respect to the
29 matters described in this paragraph.

30 (1) A majority of the entire membership of the school
31 board or committee must approve the additional amount
32 in a regular budget meeting.

33 (2) An article approving the additional amount must
34 conform to the requirements of section 15690,
35 subsection 3, paragraph B and be approved by a majority
36 of the entire membership of the council in a vote taken
37 in accordance with section 15690, subsection 5 or, if
38 the council votes not to approve the article, by a
39 majority of voters voting in a referendum called
40 pursuant to subparagraph (4).

41 (3) If an article is approved by the council pursuant
42 to subparagraph (2), the voters may petition for a
43 referendum vote on the same article in accordance with
44 subparagraph (4). If a petition is filed in accordance
45 with subparagraph (4), the vote of the council is

2 suspended pending the outcome of the referendum vote.
3 Upon approval of the article by a majority of the
4 voters voting in that referendum, the article takes
5 effect. If the article is not approved by a majority
6 of the voters voting in that referendum, the article
7 does not take effect. Subsequent to the vote, the
8 school committee or board may again propose an
9 additional amount, subject to the requirements of this
10 section.

11
12 (4) If a written petition, signed by at least 10% of
13 the number of voters voting in the last gubernatorial
14 election in the municipality, requesting a vote on the
15 additional amount is submitted to the municipal
16 officers within 30 days of the council's vote pursuant
17 to subparagraph (2), the article voted on by the
18 council must be submitted to the legal voters in the
19 next regular election or a special election called for
20 the purpose. The election must be called, advertised
21 and conducted according to the law relating to
22 municipal elections, except that the registrar of
23 voters is not required to prepare or the clerk to post
24 a new list of voters. For the purpose of registration
25 of voters, the registrar of voters must be in session
26 the secular day preceding the election. The voters
27 shall indicate by a cross or check mark placed against
28 the word "Yes" or "No" their opinion on the article.
29 The results must be declared by the municipal officers
30 and entered upon the municipal records.

31 **Sec. D-36. 20-A MRSA §15672**, as amended by PL 2003, c. 712,
32 §12, is further amended to read:

33 **§15672. Definitions**

34
35 As used in this chapter, unless the context otherwise
36 indicates, the following terms have the following meanings.

37
38 **1. Allocation year.** "Allocation year" means the year that
39 subsidy is distributed to school administrative units.

40
41 **1-A. Adjusted total cost of components of essential**
42 **programs and services.** "Adjusted total cost of the components of
43 essential programs and services" means the total cost of the
44 components of essential programs and services adjusted to reflect
45 the application of the transition targets to the base total
46 component as specified in section 15671, subsection 7, paragraph
47 A.

2 1-B. Base year. "Base year" means the 2nd year prior to
the allocation year.

4 1-C. Bus purchase costs. "Bus purchase costs" includes
6 expenditures for bus purchases approved by the commissioner and
made during the year prior to the allocation year.

8 2. Clerical staff. "Clerical staff" means full-time
10 equivalent public school secretaries, as documented in the
department's database.

12 2-A. Debt service costs. "Debt service costs," for subsidy
14 purposes, includes:

16 A. Principal and interest costs for approved major capital
18 projects in the allocation year, including the initial local
20 share of school construction projects that received voter
22 approval for all or part of their funding in referendum in
24 fiscal year 1984-85, but excluding payments made with funds
from state and local government accounts established under
the federal Internal Revenue Code and regulations for
disposition of excess, unneeded proceeds of bonds issued for
a school project;

26 B. Lease costs for school buildings when the leases,
28 including leases under which the school administrative unit
30 may apply the lease payments to the purchase of portable,
32 temporary classroom space beginning January 1, 1988, have
been approved by the commissioner for the year prior to the
allocation year. Beginning July 1, 1998 lease costs include
costs for leasing:

34 (1) Administrative space. A school administrative
36 unit may lease administrative space with state support
38 until July 1, 2003. A school administrative unit
engaged in a lease-purchase agreement for
administrative space is eligible for state support
until July 1, 2008;

40 (2) Temporary interim nonadministrative space.

42 (a) A school administrative unit with
44 state-approved need for nonadministrative space
46 may lease temporary interim space, with state
48 support, for a maximum of 5 years. A school
administrative unit may appeal to the state board
if this limitation presents an undue burden. When
making a determination on a school administrative
unit's request for relief based on undue burden,

2 the state board may consider, but are not limited
3 to considering, the following:

4 (i) Fiscal capacity;

6 (ii) Enrollment demographics; and

8 (iii) Unforeseen circumstances not within
9 the control of the appealing school
10 administrative unit.

12 The state board's decision is final.

14 (b) A school administrative unit engaged in a
15 lease-purchase agreement for temporary interim
16 nonadministrative space is eligible for state
17 support for a maximum of 10 years; and

18 (3) Permanent small nonadministrative space that
19 replaces or is converted from existing approved leased
20 portable space. The existing approved leased portable
21 space will be eligible for state support until July 1,
22 2003. Once an existing leased portable space has been
23 converted into a permanent nonadministrative space
24 through an approved lease-purchase agreement, that
25 space is eligible for state support for a maximum of 10
26 years.

28 The department shall adopt rules necessary to implement this
29 paragraph. Rules adopted by the department to implement
30 this paragraph are major substantive rules pursuant to Title
31 5, chapter 375, subchapter 2-A;

34 C. The portion of the tuition costs applicable to the
35 insured value factor for the base year computed under
36 section 5806; and

38 D. The cost of construction or purchase of portable,
39 temporary classroom space as approved by the commissioner
40 beginning January 1, 1988. For the purposes of this
41 section, "portable, temporary classroom space" means a
42 project consisting of one or more mobile or modular
43 buildings that are at least partially constructed off site
44 and are designed to be moved to other sites with a minimum
45 of disassembly and reassembly. "Portable, temporary
46 classroom space" includes, but is not limited to, space for
47 regular classrooms, small group instruction, libraries,
48 clinics and guidance and administrative office space,
49 including principal and superintendent offices. The
50 department shall adopt rules for approving the purchase,

2 construction or lease-purchase of portable, temporary
3 classroom space and for determining the amount includable
4 for subsidy purposes. Lease-purchase agreements may not
5 exceed a term of 10 years. Approved costs are those for
6 the year prior to the allocation year. The department shall
7 adopt rules necessary to implement this paragraph. Rules
8 adopted by the department to implement this paragraph are
9 major substantive rules pursuant to Title 5, chapter 375,
10 subchapter 2-A.

11
12 **3. Economically disadvantaged students.** "Economically
13 disadvantaged students" means students who are included in the
14 department's count of students who are eligible for free or
reduced-price meals or free milk or both.

15
16 **4. Education technician.** "Education technician" means a
17 full-time equivalent public teacher aide or education technician
18 I, associate teacher or education technician II or assistant
19 teacher or education technician III but not a special education
20 technician I, II or III, as documented in the department's
21 database.

22
23 **5. Elementary free or reduced-price meals percentage.**
24 "Elementary free or reduced-price meals percentage" means the
25 percentage, as determined by the commissioner, that reflects
26 either:

27
28 A. The actual percentage of elementary students in a school
29 administrative unit who are eligible to receive free or
30 reduced-price meals or free milk or both; or

31
32 B. The commissioner's estimated percentage of elementary
33 students in a school administrative unit who are eligible to
34 receive free or reduced-price meals or free milk or both.

35
36 **6. Elementary grades.** "Elementary grades" means
37 kindergarten to grade 8 and includes children enrolled in early
38 kindergarten programs and 4-year-old children enrolled in a
39 2-year childhood education program prior to grade one.

40
41 **7. Elementary school level.** "Elementary school level"
42 means the grades from kindergarten to grade 5 and includes early
43 kindergarten programs and 2-year childhood education programs
44 enrolling 4-year-old children prior to grade one.

45
46 **7-A. EPS per-pupil rate.** "EPS per-pupil rate" means the
47 rate calculated under section 15676 or 15676-A, as applicable.

48
49 **8. Essential programs and services.** "Essential programs
50 and services" means those educational resources that are

2 identified in this chapter that enable all students to meet the
standards in the 8 content standard subject areas of the system
of learning results established in chapter 222.

4
6 **9. Essential programs and services transition percentage.**
"Essential programs and services transition percentage" means the
8 ~~full-estimated-cost-for-all-essential-programs-and-services-for~~
~~that-fiscal-year-that-will-be-funded-by-a-state-contribution-or~~
10 ~~by-a-required-local-contribution~~ percentage of the base total
calculated pursuant to section 15671, subsection 7, paragraph A.

12 **9-A. Gifted and talented costs.** "Gifted and talented
costs" means the cost of programs for gifted and talented
14 students that have been approved by the commissioner.

16 **10. Grade 9 to 12 portion.** "Grade 9 to 12 portion" means
those pupils in the secondary grades or high school level.

18
20 **11. Guidance staff.** "Guidance staff" means full-time
equivalent public guidance counselors, directors of guidance or
school social workers, as documented in the department's database.

22
24 **12. Health staff.** "Health staff" means full-time
equivalent public school nurses, as documented in the
department's database.

26
28 **13. High school level.** "High school level" means grade 9 to
grade 12.

30 **13-A. Institutional resident.** "Institutional resident"
means a person between 5 years of age and 20 years of age who is
32 attending a public school of the school administrative unit and
who is committed or otherwise legally admitted to and residing at
34 a state-operated institution. "Institutional resident" does not
include students attending private facilities, regardless of the
36 means of placement.

38 ~~14. Income weight. "Income weight" means a value between~~
~~zero and one that is used to adjust a municipality's ratio of~~
40 ~~local median household income to the statewide median household~~
~~income. The income weight plus the property weight, as defined~~
42 ~~in subsection 24, must total one.~~

44 **15. Kindergarten to grade 8 portion.** "Kindergarten to grade
8 portion" means those pupils in the elementary grades or a
46 combination of the elementary school level and middle school
level.

48
50 **16. Kindergarten to grade 2 student.** "Kindergarten to
grade 2 student" means a student in any grade from

prekindergarten to grade 2 who is at least -5- 4 years old on
October 15th of the school year.

17. **Librarian.** "Librarian" means a full-time equivalent
public librarian or media specialist, as documented in the
department's database.

18. **Limited English proficiency student.** "Limited English
proficiency student" means a student who was not born in the
United States or whose native language is a language other than
English and who satisfies the definition of a limited English
proficient student under the federal No Child Left Behind Act of
2001, 20 United States Code, Chapter 70.

18-A. Major capital costs. "Major capital costs" means
costs relating to school construction projects, as defined in
section 15901.

19. **Media assistant.** "Media assistant" means a full-time
equivalent public librarian aide or library technician I,
librarian assistant or library technician II or librarian
associate or library technician III, as documented in the
department's database.

20. **Middle school level.** "Middle school level" means grade
6 to grade 8.

20-A. Minor capital costs. "Minor capital costs" means
costs relating to plant maintenance, minor remodeling, site
development or the purchase of land not in conjunction with a
construction project.

A. "Minor capital costs" does not include construction of
new buildings or the purchase of land in conjunction with a
school construction project.

B. Expenditures to repay funds borrowed for minor capital
expenditures must be considered minor capital costs in the
year in which these funds are repaid.

C. Purchase of land made in accordance with this subsection
must be approved:

(1) By the legislative body of the school
administrative unit; and

(2) By the commissioner, under rules adopted for this
purpose.

21. **Municipality.** "Municipality" means a city, town or organized plantation.

21-A. Other subsidizable costs. "Other subsidizable costs" means those costs identified in section 15681-A. These costs are part of the total operating allocation under section 15683.

21-B. Portable, temporary classroom space. "Portable, temporary classroom space" means one or more mobile or modular buildings that are at least partially constructed off site and that are designed to be moved to other sites with a minimum of disassembly and reassembly.

~~22. Per pupil guarantee.~~ "~~Per pupil guarantee~~" means the total amount of funds that is made available for each subsidizable pupil representing the following cost components:

A. Salary and benefit costs for school-level teaching staff;

B. Salary and benefit costs for other identified school level staff;

C. Designated costs for substitute teachers; and

D. Identified nonstaffing costs.

22-A. Predicted per-pupil transportation costs. "Predicted per-pupil transportation costs" means the predicted transportation costs for a school administrative unit based on the number of resident pupils, the number of miles of Class 1 to Class 5 roads in the school administrative unit and approved adjustments. Approved adjustments include a per mile rate equal to the state average gross transportation operating costs per mile driven for transportation associated with out-of-district special education programs, up to 2 round trips per day for vocational education programs, and adjustments for expenditures for ferry services within a school administrative unit, transportation of homeless children in accordance with section 5205 and transportation costs of island school administrative units.

23. **Property fiscal capacity.** "Property fiscal capacity" means the certified state valuation amount for the year prior to the most recently certified state valuation.

~~24. Property weight.~~ "~~Property weight~~" means a value between zero and one that is used to adjust a municipality's ratio of local per pupil property fiscal capacity to the statewide per pupil property fiscal capacity. The income weight,

~~as defined in subsection 14, plus the property weight must total one.~~

25. **School administrative staff.** "School administrative staff" means full-time equivalent public school principals and assistant principals, as documented in the department's database.

26. **School administrative unit's local contribution to EPS per-pupil rate.** "School administrative unit's local contribution to the ~~per-pupil-guarantee~~ EPS per-pupil rate" means the funds that a school administrative unit provides for each subsidizable pupil who resides in that unit.

27. **School administrative unit's state contribution to EPS per-pupil rate.** "School administrative unit's state contribution to the ~~per-pupil-guarantee~~ EPS per-pupil rate" means the funds that the State provides to a school administrative unit for each subsidizable pupil who resides in that unit.

28. **School level.** "School level" means elementary level, middle school level and high school level.

29. **School level teaching staff.** "School level teaching staff" means full-time equivalent public classroom teachers, itinerant classroom teachers and special teachers of reading or literacy specialists excluding special education teachers and vocational education teachers, as documented in the department's database.

30. **Secondary grades.** "Secondary grades" means grade 9 to grade 12.

30-A. Special education costs. "Special education costs" for subsidy purposes includes:

A. The salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform a special education service;

B. The costs of tuition and board to other schools for programs that have been approved by the commissioner and not paid directly by the State. Medical costs are not allowable as part of a tuition charge;

C. The following preschool handicapped services:

(1) The salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform preschool handicapped services that have been approved by the commissioner; and

2 (2) The cost of tuition to other schools for programs
4 that have been approved by the commissioner; and

6 D. Special education costs that are the costs of
8 educational services provided to students who are
10 temporarily unable to participate in regular school
12 programs. Students who may be included are pregnant
14 students, hospitalized students or those confined to their
16 homes for illness or injury, students involved in substance
18 abuse programs within hospital settings or in residential
 rehabilitation facilities licensed by the Department of
 Health and Human Services, Office of Alcoholism and Drug
 Abuse Prevention for less than 6 weeks duration or students
 suffering from other temporary conditions that prohibit
 their attendance at school. Students served under this
 paragraph may not be counted as exceptional students for
 federal reporting purposes.

20 30-B. State-operated institution. "State-operated
22 institution" means any residential facility or institution that
24 is operated by the Department of Health and Human Services or a
 school operated by the Department of Education.

26 31. State share percentage. "State share percentage" means
28 the percentage of the sum--of--the--following--amounts--that--is
30 provided--by--a--state--appropriation: state contribution determined
 under section 15688, subsection 3, paragraph B divided by the
 total cost determined in section 15688, subsection 1.

32 A.---Operating--costs--total--allocation,--as--described--in
 section-15683;

34 B.---Program-costs-allocation,--as-described-in-section-15608,
 subsection-2;

36 C.---Allocations--for--debt--service--costs,--as--defined--in
38 section-15603,--subsection-8;--and

40 D.---Allocations-for-all-adjustments-and-miscellaneous-costs
 authorized-pursuant-to-sections-15612-and-15613.

42 31-A. State subsidy. "State subsidy" means the total of the
44 state contribution determined under section 15688, subsection
46 3-A, paragraph B and any applicable adjustment under section
 15689.

48 31-B. Subsidizable costs. "Subsidizable costs" includes
50 the costs described in paragraphs A to C and used to calculate
 the total allocation amount:

- 2 A. The total operating allocation under section 15683;
4 B. Debt service cost; and
6 C. Adjustments and miscellaneous costs under sections 15689
8 and 15689-A including special education tuition and board,
 excluding medical costs. For purposes of this paragraph,
 "special education tuition and board" means:

10 (1) Tuition and board for pupils placed directly by
12 the State in accordance with rules adopted or amended
14 by the commissioner; and

16 (2) Special education tuition and other tuition for
18 institutional residents of state-operated institutions
 attending programs in school administrative units or
 private schools in accordance with rules adopted or
20 amended by the commissioner.

22 **32. Subsidizable pupils.** "Subsidizable pupils" means all
school level pupils who reside in a school administrative unit
and who are educated at public expense at a public school or at a
24 private school approved for tuition purposes.

26 **32-A. Total allocation.** "Total allocation" means the total
of the operating allocation as described in section 15683 and the
28 debt service allocation as described in section 15683-A.

30 Nonsubsidizable costs are not considered in the calculation of
32 the total allocation. "Nonsubsidizable costs" includes the
 following:

- 34 A. Community service costs;
36 B. Major capital costs;
38 C. Expenditures from all federal revenue sources, except
40 for amounts received under United States Public Law 81-874;
42 D. Transportation costs not associated with transporting
 students from home to school and back home each day; and
44 E. Costs payable to the Maine State Retirement System under
 Title 5, section 17154, subsections 10 and 11.

46 **32-B. Total cost of components of essential programs and**
48 services. "Total cost of the components of essential programs
and services" means the total of the following components:
50

- 2 A. The base total determined pursuant to section 15683,
 subsection 1;
- 4 B. Other subsidizable costs identified in section 15681-A;
- 6 C. Debt service costs;
- 8 D. Adjustments determined pursuant to section 15689; and
- 10 E. Miscellaneous costs appropriated pursuant to section
12 15689-A.

14 **32-C. Transportation operating costs.** "Transportation
16 operating costs" means all costs incurred in the transportation
18 of pupils in kindergarten to grade 12, including lease costs for
20 bus garage and maintenance facilities and lease-purchase costs
22 that the school administrative unit may apply to the purchase of
24 bus garage and maintenance facilities, when the leases and
26 lease-purchase agreements have been approved by the commissioner,
 but excluding the costs of bus purchases and excluding all costs
 not associated with transporting students from home to school and
 back home each day. The amount includable for determining the
 subsidy for a school administrative unit for lease-purchase of
 bus garage and maintenance facilities may not exceed the amount
 for the lease of a comparable facility.

28 **32-D. Vocational education costs.** "Vocational education
30 costs" for subsidy purposes means all costs incurred by the
32 vocational regions, centers or satellites in providing approved
34 secondary school vocational education programs, excluding
 transportation, capital costs and debt service.

36 **32-E. Year.** "Year" means a fiscal year starting July 1st
38 and ending June 30th of the succeeding year.

40 **33. Year of funding.** "Year of funding" means the fiscal
42 year during which state subsidies are disbursed to school
44 administrative units, except as specified in section 15005,
46 subsection 1.

48 **Sec. D-37. 20-A MRSA §15673.** as repealed and replaced by PL
50 2003, c. 712, §13, is repealed.

Sec. D-38. 20-A MRSA §15675, sub-§1, as enacted by PL 2003, c.
 504, Pt. A, §6, is amended to read:

1. **Limited English proficiency students.** The additional
weights for school administrative units with limited English
proficiency students are as follows:

COMMITTEE AMENDMENT "B" to H.P. 6, L.D. 1

2 A. For a school administrative unit with 15 or fewer
limited English proficiency students, the unit receives an
4 additional weight of .50 per student;

6 B. For a school administrative unit with more than 15 and
fewer than 251 limited English proficiency students, the
8 unit receives an additional weight of .30 per student; and

10 C. For a school administrative unit with 251 or more limited
English proficiency students, the unit receives an
12 additional weight of .60 per student.

14 Eligibility for state funds under this subsection is limited to
school administrative units that are providing services to
limited English proficient students through programs approved by
16 the department.

18 **Sec. D-39. 20-A MRSA §15676**, as enacted by PL 2003, c. 504,
Pt. A, §6, is amended to read:

20 **§15676. EPS per-pupil rate**

22 For each school administrative unit, the commissioner shall
24 calculate the unit's per-pupil-guarantee EPS per-pupil rate for
each year as the sum of:

26 **1. Teaching staff costs.** The salary and benefit costs for
28 school level teaching staff that are necessary to carry out this
Act, calculated in accordance with section 15678, adjusted by the
30 regional adjustment under section 15682 and reduced by the amount
of funds received by the school administrative unit during the
32 most recent fiscal year under Title 1 of the federal Elementary
and Secondary Act of 1965, 20 United States Code, Section 6301 et
34 seq.;

36 **2. Other staff costs.** The salary and benefit costs for
school-level staff who are not teachers, but including substitute
38 teachers, that are necessary to carry out this Act, calculated
in accordance with section 15679, adjusted by the regional
40 adjustment under section 15682 and reduced by the amount of funds
received by the school administrative unit during the most recent
42 fiscal year under Title 1 of the federal Elementary and Secondary
Act of 1965, 20 United States Code, Section 6301 et seq.; and

44 **3. Additional costs.** The per-pupil amounts not related to
46 staffing, calculated in accordance with section 15680.

48 The EPS per-pupil rate is calculated on the basis of which
schools students attend. For school administrative units that do

not operate their own schools, the EPS per-pupil rate is calculated under section 15676-A.

Sec. D-40. 20-A MRSA §15676-A is enacted to read:

§15676-A. EPS per-pupil rate for units that do not operate schools

1. Definitions. For purposes of this section, the following terms have the following meanings.

A. "Receiving unit" means the school administrative unit to which students are sent by the sending unit.

B. "Receiving unit cost" means the amount arrived at by multiplying the receiving unit's EPS rate by the number of students sent to that unit by the sending unit.

C. "Sending unit" means the school administrative unit sending students to other school administrative units.

2. Calculation of EPS per-pupil rate. For school administrative units that do not operate certain types of schools, the commissioner shall calculate that unit's EPS per-pupil rate for each year as follows.

A. For units that do not operate elementary grade schools, the EPS per-pupil rate for elementary grades is calculated by multiplying the number of students sent by the sending unit to an elementary grade receiving unit multiplied by the receiving unit's EPS per-pupil rate for elementary grades and the result divided by the number of students sent by the sending unit to that elementary grade receiving unit. If the sending unit sends students to more than one elementary grade receiving unit, then the elementary grade receiving unit cost for each student sent by the sending unit is added and the result divided by the total number of students sent to elementary grade receiving units by the sending unit. The result is the average elementary grade EPS per-pupil rate for the sending unit.

The EPS per-pupil rate for private schools approved for tuition purposes under chapter 117 is the statewide average EPS per-pupil rate for elementary grades. The elementary attending student count is the most recent October 1st count prior to the allocation year.

B. For units that do not operate secondary grade schools, the EPS per-pupil rate for secondary grades is calculated by multiplying the number of students sent by the sending unit

2 to a secondary grade receiving unit multiplied by the
3 receiving unit's EPS per-pupil rate for secondary grades and
4 the result divided by the number of students sent by the
5 sending unit to that secondary grade receiving unit. If the
6 sending unit sends students to more than one secondary grade
7 receiving unit, then the secondary grade receiving unit cost
8 for each student sent by the sending unit is added and the
9 result divided by the total number of students sent to
10 secondary grade receiving units by the sending unit. The
11 result is the average secondary grade EPS per-pupil rate for
12 the sending unit.

13 The EPS per-pupil rate for private schools approved for
14 tuition purposes under chapter 117 is the statewide average
15 EPS per-pupil rate for secondary grades. The secondary
16 attending student count is the most recent October 1st count
17 prior to the allocation year.

18 **Sec. D-41. 20-A MRSA §15678. sub-§5. ¶B.** as enacted by PL
19 2003, c. 504, Pt. A, §6, is amended to read:

20 B. The amount, as determined by the commissioner, that
21 equals the statewide percentage of salary costs that
22 represents the statewide average benefit costs.

23 **Sec. D-42. 20-A MRSA c. 606-C. headnote,** as enacted by IB 2003,
24 c. 2, §1, is repealed.

25 **Sec. D-43. 20-A MRSA §15681,** as enacted by IB 2003, c. 2,
26 §1, is repealed.

27 **Sec. D-44. 20-A MRSA §15681-A** is enacted to read:

28 **§15681-A. Other subsidizable costs**

29 The following are other subsidizable costs:

30 1. **Bus purchases.** Bus purchase costs:

31 2. **Special education costs.** Beginning in fiscal year
32 2005-06, a school administrative unit receives an additional
33 weight of at least 1.20 but not greater than 1.40 for each
34 special education student identified on the annual December 1st
35 child count as required by the federal Individuals with
36 Disabilities Education Act for the most recent year, up to a
37 maximum of 15% of the school administrative unit's resident
38 pupils as determined under section 15674, subsection 1, paragraph
39 C, subparagraph (1). For those school administrative units in
40 which the annual December 1st child count for the most recent
41 year is less than 15% of the school administrative unit's
42 annual December 1st child count for the most recent year.

1 resident pupils as determined under section 15674, subsection 1,
2 paragraph C, subparagraph (1), the special education child count
3 percentage may not increase more than 0.5% in any given year, up
4 to a maximum of 1.0% in any given 3-year period. For each
5 special education student above the 15% maximum, the unit
6 receives an additional weight of .38. In addition, each school
7 administrative unit must receive additional funds:

8
9
10 A. For lower staff-student ratios and expenditures for
11 related services for school administrative units with fewer
12 than 20 special education students identified on the annual
13 December 1st child count as required by the federal
14 Individuals with Disabilities Education Act for the most
15 recent year;

16 B. For high-cost in-district special education placements.
17 Additional funds must be allocated for each student
18 estimated to cost 3 times the statewide special education
19 EPS per-pupil rate. The additional funds for each student
20 must equal the amount by which that student's estimated
21 costs exceed 3 times the statewide special education EPS
22 per-pupil rate;

23 C. For high-cost out-of-district special education
24 placements. Additional funds must be allocated for each
25 student estimated to cost 4 times the statewide special
26 education EPS per-pupil rate. The additional funds for each
27 student must equal the amount by which that student's
28 estimated costs exceed 4 times the statewide special
29 education EPS per-pupil rate; and

30
31 D. To ensure the school administrative unit meets the
32 federal maintenance of effort requirement for receiving
33 federal Individuals with Disabilities Education Act funds.

34
35 The commissioner shall develop an appeals procedure for
36 calculated special education costs for school administrative
37 units;

38
39 3. **Transportation costs.** For fiscal year 2005-06, the
40 commissioner, using information provided by a statewide education
41 policy research institute, shall establish a per-pupil
42 transportation cost for each school administrative unit based on
43 an analysis of the most recent year's reported transportation
44 expenditures and a predicted per-pupil transportation cost based
45 on the number of resident pupils, the number of miles of Class 1
46 to Class 5 roads in the school administrative unit and any
47 approved adjustments. In fiscal year 2005-06 the established
48 per-pupil transportation cost for each school administrative unit
49 is the most recent year's reported transportation expenditures or
50

2 predicted per-pupil transportation cost, plus 10%, whichever is
3 lower. Beginning in fiscal year 2006-07, and for each subsequent
4 fiscal year, the per-pupil transportation costs for each school
5 administrative unit are its established costs for the most recent
6 year adjusted by the Consumer Price Index or other comparable
7 index. For fiscal years 2005-06 and 2006-07, in no case may the
8 per-pupil transportation costs for a school administrative unit
9 be less than 75% of the established costs for the most recent
10 fiscal year. Every 3 years, the commissioner, using information
11 provided by a statewide education policy research institute,
12 shall examine and may adjust reported transportation expenditures
13 and predicted transportation costs. The commissioner shall
14 develop an appeals procedure for established per-pupil
15 transportation costs for school administrative units;

16 4. Vocational education costs. Vocational education costs
17 in the base year adjusted to the year prior to the allocation
18 year; and

20 5. Gifted and talented education costs. Gifted and
21 talented costs in the base year adjusted to the year prior to the
22 allocation year.

24 **Sec. D-45. 20-A MRSA §15682.** as enacted by IB 2003, c. 2,
25 §1, is repealed.

26 **Sec. D-46. 20-A MRSA §15682.** as enacted by PL 2003, c. 504,
27 Pt. A, §6, is amended to read:

30 **§15682. Regional adjustment**

32 The commissioner shall make a regional adjustment in the
33 total operating allocation for each school administrative unit
34 determined pursuant to section 15683. The regional adjustment
35 must be based on the regional differences in teacher salary costs
36 within labor market areas in the State, as computed by a
37 statewide education policy research institute, and must be
38 applied only to appropriate teacher salary and benefits costs as
39 calculated under section 15678 and salary and benefit costs of
40 other school-level staff who are not teachers as calculated under
41 section 15679. Beginning in fiscal year 2006-07, and at least
42 every 2 years thereafter, the commissioner, using information
43 provided by a statewide education policy research institute,
44 shall review the regional adjustment amounts under this section
45 and shall submit any recommended changes to the state board for
46 approval.

48 **Sec. D-47. 20-A MRSA §15683,** as amended by PL 2003, c. 712,
49 §14, is further amended to read:

50

§15683. Total operating allocation

2
3 For each school administrative unit, that unit's total
4 operating allocation is the base total set forth in subsection 1
5 as adjusted in accordance with subsection 2 and including the
6 total amount ~~for subsection 3~~ of other subsidizable costs as
7 described in section 15681-A.

8
9 **1. Base total.** The base total of a school administrative
10 unit's total operating allocation is the sum of:

11
12 A. The product of the school administrative unit's
13 kindergarten to grade 8 ~~per-pupil-guarantee~~ EPS per-pupil
14 rate multiplied by the total of the kindergarten to grade 8
15 portions of the following pupil counts:

16
17 (1) The pupil count set forth in section 15674,
18 subsection 1, paragraph C;

19
20 (2) The additional weight for limited English
21 proficiency students calculated pursuant to section
22 15675, subsection 1; and

23
24 (3) The additional weight for economically
25 disadvantaged students calculated pursuant to section
26 15675, subsection 2;

27
28 B. The product of the school administrative unit's grade 9
29 to 12 ~~per-pupil-guarantee~~ EPS per-pupil rate multiplied by
30 the total of the grade 9 to 12 portion of the following
31 pupil counts:

32
33 (1) The pupil count set forth in section 15674,
34 subsection 1, paragraphs A, B and C;

35
36 (2) The additional weight for limited English
37 proficiency students calculated pursuant to section
38 15675, subsection 1; and

39
40 (3) The additional weight for economically
41 disadvantaged students calculated pursuant to section
42 15675, subsection 2;

43
44 C. If the school administrative unit is eligible for
45 targeted student assessment funds pursuant to section 15681,
46 subsection 1, the sum of:

47
48 (1) The product of the elementary school level and
49 middle school level per-pupil amount for targeted
50 student assessment funds calculated pursuant to section

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2 15681, subsection 2 multiplied by the kindergarten to
4 grade 8 portion of the pupil count calculated pursuant
to section 15674, subsection 1, paragraph C,
subparagraph (1); and

6 (2) The product of the high school level per-pupil
8 amount for targeted student assessment funds calculated
pursuant to section 15681, subsection 2 multiplied by
10 the grade 9 to 12 portion of the pupil count calculated
pursuant to section 15674, subsection 1, paragraph C,
12 subparagraph (1);

14 D. If the school administrative unit is eligible for
targeted technology resource funds pursuant to section
15681, subsection 1, the sum of:

16 (1) The product of the elementary school level and
18 middle school level per-pupil amount for targeted
technology resource funds calculated pursuant to
20 section 15681, subsection 3 multiplied by the
kindergarten to grade 8 portion of the pupil count
22 calculated pursuant to section 15674, subsection 1,
paragraph C, subparagraph (1); and

24 (2) The product of the high school level per-pupil
26 amount for targeted technology resource funds
calculated pursuant of section 15681, subsection 3
28 multiplied by the grade 9 to 12 portion of the pupil
count calculated pursuant to section 15674, subsection
30 1, paragraph C, subparagraph (1); and

32 E. If the school administrative unit is eligible for
targeted kindergarten to grade 2 funds pursuant to section
34 15681, subsection 1, the product of the per-pupil-guarantee
EPS per-pupil rate multiplied by the additional weight for
36 kindergarten to grade 2 calculated pursuant to section
15675, subsection 3, ; and

38 F. An isolated small unit adjustment. A school
40 administrative unit is eligible for an isolated small school
42 adjustment when the unit meets the size and distance
44 criteria as established by the commissioner and approved by
46 the state board. The amount of the adjustment is the result
48 of adjusting the necessary student-to-staff ratios
determined in section 15679, subsection 2, the per-pupil
amount for operation and maintenance of plant in section
15680, subsection 1, paragraph B or other essential programs
and services components in chapter 606-B, as recommended by
the commissioner.

50

2 **2. Adjustments.** The base total calculated pursuant to
3 subsection 1 must be adjusted as follows by multiplying it by the
4 appropriate transition percentage in accordance with section
5 15671, subsection 7, paragraph A.

6 ~~A--The base total calculated pursuant to subsection 1 must~~
7 ~~be reduced by the amount of all funds received by the school~~
8 ~~administrative unit under Title I of the federal Elementary~~
9 ~~and Secondary Education Act of 1965, 20 United States Code,~~
10 ~~Section 6301 et seq., during the most recent fiscal year.~~

11 ~~B--The amount calculated pursuant to paragraph A must be~~
12 ~~adjusted by the regional adjustment pursuant to section~~
13 ~~15682.~~

14 ~~C--The amount calculated pursuant to paragraph B must be~~
15 ~~multiplied by the essential programs and services transition~~
16 ~~percentage for the appropriate year in accordance with~~
17 ~~section 15671, subsection 7, paragraph A.~~

18 **Sec. D-48. 20-A MRSA §15683.** as enacted by IB 2003, c. 2,
19 §1, is repealed.

20 **Sec. D-49. 20-A MRSA §15683-A** is enacted to read:

21 **§15683-A. Total debt service allocation**

22 For each school administrative unit, that unit's total debt
23 service allocation is that unit's debt service costs as defined
24 in section 15672, subsection 2-A.

25 **Sec. D-50. 20-A MRSA §15684.** as enacted by PL 2003, c. 712,
26 §15 and IB 2003, c. 2, §1, is repealed.

27 **Sec. D-51. 20-A MRSA §15685,** as enacted by PL 2003, c. 504,
28 Pt. A, §6 and IB 2003, c. 2, §1, is repealed.

29 **Sec. D-52. 20-A MRSA §15686.** as amended by PL 2003, c. 712,
30 §16, is further amended to read:

31 **§15686. Transition adjustment**

32 For each of the fiscal years described in section 15671,
33 subsection 7, the commissioner shall establish a transition
34 adjustment calculated to minimize the adverse fiscal impact that
35 may be experienced by some municipalities as a result of the
36 phase-in of this Act. The transition adjustment for a
37 municipality must be directly related to the phase-in of
38 essential programs and services and the local cost share
39 expectation method under section 15671-A of determining the local
40 expectation method under section 15671-A of determining the local

2 contribution to the cost of funding essential programs and
services. The amount of this adjustment must decline with each
4 successive fiscal year, and the adjustments must end no later
than fiscal year 2009-10 2006-07.

6 1. Adjustment in fiscal year 2005-06. A school
7 administrative unit is eligible for a transition adjustment in
8 fiscal year 2005-06 if the school administrative unit meets the
9 following criteria.

10
11 A. The school administrative unit's state share of the
12 total allocation, including the debt service adjustment
13 pursuant to section 15689, subsection 2, and the minimum
14 state share of its total allocation pursuant to section
15 15689, subsection 1 is less than the fiscal year 2004-05
16 state share of its total allocation, including the minimum
17 state share of its total allocation pursuant to former
18 section 15689, subsection 1 and the adjustment for
19 geographic isolation pursuant to section 15612, subsection
20 2. The state share adjustment is an amount equal to that
21 difference less the losses due to reduced expenditures for
22 buses, debt service, special education, gifted and talented
23 education and vocational education.

24
25 A school administrative unit that meets the criteria in paragraph
26 A is eligible to receive no less than a 5% transition adjustment
27 in fiscal year 2005-06 if the school administrative unit operates
28 an elementary or secondary school and also has a student count of
29 less than 1,000.

30
31 A school administrative unit that meets the criteria in paragraph
32 A is eligible to receive no less than a 2.5% transition
33 adjustment in fiscal year 2005-06 if the school administrative
34 unit operates an elementary or secondary school and also has a
35 student count of more than 1,000.

36
37 Sec. D-53. 20-A MRS §15688, sub-§1, ¶¶A to C, as enacted by PL
38 2003, c. 712, §17, are amended to read:

39
40 A. The school administrative unit's ~~base~~ total ~~est--of~~
41 ~~funding--essential--programs--and--services--subject--to--the~~
42 ~~transition-percentages~~ calculated pursuant to section 15683,
43 subsection 1, adjusted pursuant to the transition targets
44 described in section 15671, subsection 7, paragraph A;

45
46 B. The ~~program-cost-allocation-as-used-in-chapter-606~~ other
47 subsidizable costs described in section 15681-A; and

48
49 C. The ~~total~~ debt service allocation as-used-in-chapter-606
50 described in section 15683-A.

2 **Sec. D-54. 20-A MRSA §15688, sub-§2.** as enacted by PL 2003, c.
712, §17, is amended to read:

4
6 **2. Member municipalities in school administrative districts**
or community school districts; total costs. For each
8 municipality that is a member of a school administrative district
or community school district, the commissioner shall annually
10 determine each municipality's total cost of education. A
municipality's total cost of education is the school
12 administrative district's or community school district's total
cost of ~~funding~~ education multiplied by the percentage that the
14 municipality's most recent calendar year average pupil count is
to the school administrative district's or community school
district's most recent calendar year average pupil count.

16 **Sec. D-55. 20-A MRSA §15688, sub-§3.** as enacted by PL 2003, c.
18 712, §17, is repealed.

20 **Sec. D-56. 20-A MRSA §15688, sub-§3-A** is enacted to read:

22 **3-A. School administrative unit; contribution.** For each
school administrative unit, the commissioner shall annually
24 determine the school administrative unit's required contribution,
the required contribution of each municipality that is a member
26 of the unit, if the unit has more than one member, and the
State's contribution to the unit's total cost of education in
28 accordance with the following.

30 A. For a school administrative unit composed of only one
municipality, the contribution of the unit and the
32 municipality is the same and is the lesser of:

34 (1) The total cost described in subsection 1; and

36 (2) The total of the full-value education mill rate
calculated in section 15671-A, subsection 2 multiplied
38 by the property fiscal capacity of the municipality.

40 B. For a school administrative district or community school
district composed of more than one municipality, each
42 municipality's contribution to the total cost of education
is the lesser of:

44 (1) The municipality's total cost as described in
46 subsection 2; and

48 (2) The total of the full-value education mill rate
calculated in section 15671-A, subsection 2 multiplied
50 by the property fiscal capacity of the municipality.

2 C. For a school administrative district or community school
3 district composed of more than one municipality, the unit's
4 contribution to the total cost of education is the lesser of:

6 (1) The total cost as described in subsection 1; and

8 (2) The sum of the totals calculated for each member
9 municipality pursuant to paragraph B, subparagraph (2).

10 D. The state contribution to the school administrative
11 unit's total cost of education is the total cost of
12 education calculated pursuant to subsection 1 less the
13 school administrative unit's contribution calculated
14 pursuant to paragraph A or C, as applicable. The state
15 contribution is subject to reduction in accordance with
16 section 15690, subsection 1, paragraph C.

18 **Sec. D-57. 20-A MRSA §15688, sub-§4.** as enacted by PL 2003, c.
19 712, §17, is amended to read:

22 **4. Method of cost sharing; exception.** For the purpose of
23 local cost sharing, the provisions of subsection -3- 3-A do not
24 apply to municipalities that are members of a school
25 administrative district or a community school district whose cost
26 sharing formula was established pursuant to private and special
27 law prior to January 1, 2004. For each municipality that is a
28 member of a school administrative district or a community school
29 district whose cost sharing formula was established pursuant to
30 private and special law prior to January 1, 2004, the cost
31 sharing formula established pursuant to private and special law
32 determines each municipality's local cost of education.

34 **Sec. D-58. 20-A MRSA §15689, sub-§1.** as enacted by PL 2003, c.
35 712, §17, is repealed and the following enacted in its place:

36 **1. Minimum state allocation.** Each school administrative
37 unit must be guaranteed a minimum state share of its total
38 allocation that is an amount equal to the greater of the
39 following:

42 A. The sum of the following calculations:

44 (1) Multiplying 5% of each school administrative
45 unit's essential programs and services per-pupil
46 elementary rate by the average number of resident
47 kindergarten to grade 8 pupils as determined under
48 section 15674, subsection 1, paragraph C, subparagraph
49 (1); and

2 (2) Multiplying 5% of each school administrative
3 unit's essential programs and services per-pupil
4 secondary rate by the average number of resident grade
5 9 to grade 12 pupils as determined under section 15674,
6 subsection 1, paragraph C, subparagraph (1); and

7 B. The school administrative unit's special education costs
8 as calculated pursuant to section 15681-A, subsection 2
9 multiplied by the following transition percentages:

10 (1) In fiscal year 2005-06, 84%; and

11 (2) In fiscal year 2006-07, 100%.

12 These funds must be an adjustment to the school administrative
13 unit's state and local allocation after the state and local
14 allocation has been adjusted for debt service pursuant to
15 subsection 2.

16 **Sec. D-59. 20-A MRSA §15689. sub-§3.** as enacted by PL 2003, c.
17 712, §17, is amended to read:

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

22 **Sec. D-60. 20-A MRSA §15689, sub-§§4 to 6** are enacted to read:

23 **4. Audit adjustments.** The following provisions apply to
24 audit adjustments.

25 A. If errors are revealed by audit and by the commissioner,
26 the school administrative unit's state subsidy must be
27 adjusted to include corrections.

28 B. If audit adjustments are discovered after the funding
29 level is certified by the commissioner and the state board
30 on December 15th pursuant to section 15689-C, the department
31 may request the necessary additional funds, if any, to pay
32 for these adjustments. These amounts, if any, are in
33 addition to the audit adjustment amount certified by the
34 commissioner and state board on the prior December 15th.

35 **5. Adjustment for cost of educating eligible students in**
36 **long-term drug treatment centers.** A school administrative unit
37 that operates an educational program approved pursuant to chapter
38 327 to serve eligible students in licensed drug treatment centers
39

2 must be reimbursed in the year in which costs are incurred as
3 follows.

4 A. Reimbursements must be limited to a maximum of 12 state
5 average tuition rates a year for each approved plan.

6 B. The rate of reimbursement per student may not exceed the
7 state average tuition rates in effect during the year of
8 placement as computed under sections 5804 and 5805. The
9 tuition rates must be computed based on the state average
10 secondary tuition rate and may be adjusted if the program is
11 approved to operate beyond the 180-day school year.

12 6. Adjustment for uncertified personnel. The commissioner
13 shall reduce the state share of the total allocation to a school
14 administrative unit in the current year or following year by an
15 amount that represents the state share of expenditures for
16 salaries and benefits paid to uncertified personnel.

17 Sec. D-61. 20-A MRSA §§15689-A to 15689-F are enacted to read:

18 §15689-A. Authorization of payment of miscellaneous costs

19 1. Payment of state agency client costs. State agency
20 client costs are payable pursuant to this subsection. As used in
21 this subsection, "state agency client" has the same meaning as
22 defined in section 1, subsection 34-A.

23 A. The commissioner shall approve special education costs
24 and supportive services, including transportation, for all
25 state agency clients placed in residential placements by an
26 authorized agent of a state agency.

27 B. Special education costs authorized by this subsection
28 for state agency clients must be paid by the department in
29 the allocation year at 100% of actual costs.

30 C. The commissioner shall pay only approved special
31 education costs and supportive services, including
32 transportation, authorized by this subsection for state
33 agency clients and may not allocate for those special
34 education costs and supportive services, including
35 transportation, incurred by the school administrative unit
36 for state agency clients in the base years starting July 1,
37 1985, and every base year thereafter.

38 D. Transportation costs for state agency clients, when
39 provided in accordance with rules established by the
40 department, shall be paid by the department in the allocation
41 year at 100% of actual costs.

2 commissioner under section 7204, must be paid by the
3 department in the allocation year at 100% of actual costs.

4 2. Education of institutional residents. The commissioner
5 may pay tuition to school administrative units or private schools
6 for institutional residents within the limits of the allocation
7 made under this section.

8 3. Essential programs and services components contract.
9 The commissioner may contract for the updating of the essential
10 programs and services component with a statewide education
11 research institute.

12 4. Learning results implementation, assessment and
13 accountability. The commissioner may expend and disburse funds
14 limited to the amount appropriated by the Legislature to carry
15 out the purposes of Public Law 1995, chapter 649, sections 5 and
16 8.

17 5. Regionalization, consolidation and efficiency
18 assistance. The commissioner may expend and disburse funds
19 limited to the amount appropriated by the Legislature to carry
20 out the purposes of promoting regionalization, consolidation and
21 efficiency.

22 6. Education research contract. The commissioner may
23 contract for the compilation and analysis of education data with
24 a statewide education research institute.

25 7. Disbursement limitations. The funds disbursed in
26 accordance with this section are limited to the amounts
27 appropriated by the Legislature for these purposes.

28 §15689-B. Authorization and schedules of payment of state
29 subsidy; appeals

30 1. Schedules of payment of unit allocation. The
31 commissioner shall authorize state subsidy payments to the school
32 administrative units to be made in accordance with time schedules
33 set forth in sections 15005, 15689-D and 15901 to 15910.

34 2. Notification of allocation; commissioner's duty;
35 superintendent's duty. The following provisions apply to
36 notification of allocation by the commissioner and each
37 superintendent.

38 A. The commissioner shall annually, prior to February 1st,
39 notify each school board of the estimated amount to be
40 allocated to the school administrative unit.

41

2 B. Each superintendent shall report to the municipal
3 officers whenever the school administrative unit is notified
4 of the allocation or a change is made in the allocation
5 resulting from an adjustment.

6 3. Payments of state subsidy to unit's treasurer; basis.
7 State subsidy payments must be made directly to the treasurer of
8 each school administrative unit. The payments must be based on
9 audited financial reports submitted by school administrative
10 units.

12 4. Appeals. A school board may appeal the computation of
13 state subsidy for the school administrative unit to the state
14 board in writing within 30 days of the date of notification of
15 the computed amount. The state board shall review the appeal and
16 make an adjustment if in its judgment an adjustment is justified.
17 The state board's decision is final as to facts supported by the
18 record of the appeal.

20 5. School purpose expense requirement. Notwithstanding any
21 other law, money allocated for school purposes may be expended
22 only for school purposes.

24 6. Balance of allocations. Notwithstanding any other law,
25 general operating fund balances at the end of a school
26 administrative unit's fiscal year must be carried forward to meet
27 the unit's needs in the next year or over a period not to exceed
28 3 years. Unallocated balances in excess of 3% of the previous
29 fiscal year's school budget must be used to reduce the state and
30 local share of the total allocation for the purpose of computing
31 state subsidy. School boards may carry forward unallocated
32 balances in excess of 3% of the previous year's school budget and
33 disburse these funds in the next year or over a period not to
34 exceed 3 years.

36 7. Required data; subsidy payments withheld. A school
37 administrative unit shall provide the commissioner with
38 information that the commissioner requests to carry out the
39 purposes of this chapter, according to time schedules that the
40 commissioner establishes. The commissioner may withhold monthly
41 subsidy payments from a school administrative unit when
42 information is not filed in the specified format and with
43 specific content and within the specified time schedules.

44 8. Unobligated balances. Unobligated balances from amounts
45 appropriated for general purpose aid for local schools may not
46 lapse but must be carried forward to the next fiscal year.

48 §15689-C. Commissioner's recommendation for funding levels;
49 computations

2 1. Annual recommendation. Prior to December 15th of each
3 year, the commissioner, with the approval of the state board,
4 shall recommend to the Governor and the Department of
5 Administrative and Financial Services, Bureau of the Budget the
6 funding levels that the commissioner recommends for the purposes
7 of this chapter.

8
9 2. Funding level computations. The following are the
10 funding level computations that support the commissioner's
11 funding level recommendations:

12 A. The requested funding levels for the operating
13 allocation under section 15683;

14 B. The requested funding levels for debt service under
15 section 15683-A, which are as follows:

16 (1) The known obligations and estimates of anticipated
17 principal and interest costs for the allocation year;

18 (2) The expenditures for the insured value factor for
19 the base year;

20 (3) The level of lease payments and lease-purchase
21 payments pursuant to section 15672, subsection 2-A for
22 the year prior to the allocation year; and

23 (4) Funds allocated by the state board for new school
24 construction projects funded in the current fiscal year;

25 C. The requested funding levels for adjustments under
26 section 15689, which must be computed by estimating costs
27 for the allocation year; and

28 D. The requested funding levels for miscellaneous costs
29 under section 15689-A.

30
31 3. Guidelines for updating other subsidizable costs. The
32 commissioner's recommendation for updating percentages to bring
33 base year actual costs to the equivalent of one-year-old costs
34 may not exceed the average of the 2 most recent percentages of
35 annual increase in the Consumer Price Index.

36
37 **§15689-D. Governor's recommendation for funding levels**

38
39 The Department of Administrative and Financial Services,
40 Bureau of the Budget shall annually certify to the Legislature
41 the funding levels that the Governor recommends under sections
42 15683, 15683-A, 15689 and 15689-A. The Governor's
43
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recommendations must be transmitted to the Legislature within the time schedules set forth in Title 5, section 1666.

§15689-E. Actions by Legislature

The Legislature shall annually, prior to March 15th, enact legislation to:

1. Appropriation for state share of adjustments, debt service and operating; single account. Appropriate the necessary funds for the State's share for general purpose aid for local schools with a separate amount for each of the following components:

A. Adjustments and miscellaneous costs described in sections 15689 and 15689-A, including an appropriation for special education pupils placed directly by the State, for:

(1) Tuition and board for pupils placed directly by the State in accordance with rules adopted or amended by the commissioner; and

(2) Special education tuition and other tuition for residents of state-operated institutions attending programs in school administrative units or private schools in accordance with rules adopted or amended by the commissioner; and

B. The state share of the total operating allocation and the total debt service allocation described in sections 15683 and 15683-A; and

2. Local cost share expectation. Establish the local cost share expectation described in section 15671-A.

Funds for appropriations under this section must be placed in a single account.

§15689-F. Actions by department

Within the annual appropriations, the department shall follow the procedures described in this section.

1. State's obligation. If the State's continued obligation for any program provided by one of the appropriated amounts under section 15689-E exceeds the appropriated amount, any unexpended balance from another of those appropriated amounts may be applied by the commissioner toward the obligation for that program.

2 2. Cash flow. For the purpose of cash flow, the
3 commissioner may pay the full state and local share of the
4 payment amounts due on bond issues for school construction from
5 that school administrative unit's state subsidy, excluding
6 payments on non-state-funded projects. This subsection does not
7 apply if a school administrative unit has less subsidy than the
8 total principal and interest payment on bonds.

9 Sec. D-62. 20-A MRSA §§15690 to 15695 are enacted to read:

10 **§15690. Local appropriations**

11 Beginning with the budget for the 2005-2006 school year, the
12 following provisions apply to local appropriations for school
13 purposes.

14 1. School administrative unit contribution to total cost of
15 funding public education from kindergarten to grade 12. The
16 legislative body of each school administrative unit may vote to
17 raise and appropriate an amount up to its required contribution
18 to the total cost of education as described in section 15688.

19 A. For a municipal school unit, an article in substantially
20 the following form must be used when a single municipal
21 school administrative unit is considering the appropriation
22 of an amount up to its required contribution to the total
23 cost of education as described in section 15688.

24 (1) "Article.....: To see what sum the municipality
25 will appropriate for the school administrative unit's
26 contribution to the total cost of funding public
27 education from kindergarten to grade 12 as described in
28 the Essential Programs and Services Funding Act
29 (Recommend \$.....) and to see what sum the
30 municipality will raise as the municipality's
31 contribution to the total cost of funding public
32 education from kindergarten to grade 12 as described in
33 the Essential Programs and Services Funding Act in
34 accordance with the Maine Revised Statutes, Title 20-A,
35 section 15688. (Recommend \$.....)"

36 (2) The following statement must accompany the article
37 in subparagraph (1). "Explanation: The school
38 administrative unit's contribution to the total cost of
39 funding public education from kindergarten to grade 12
40 as described in the Essential Programs and Services
41 Funding Act is the amount of money determined by state
42 law to be the minimum amount that a municipality must
43 raise in order to receive the full amount of state
44 dollars."

2 B. For a school administrative district or a community
4 school district, an article in substantially the following
6 form must be used when the school administrative district or
8 community school district is considering the appropriation
10 of an amount up to its required contribution to the total
12 cost of education as described in section 15688.

14 (1) "Article: To see what sum each municipality
16 will appropriate for the school administrative unit's
18 contribution to the total cost of funding public
20 education from kindergarten to grade 12 as described in
22 the Essential Programs and Services Funding Act and to
24 see what sum each municipality will raise as each
26 municipality's contribution to the total cost of
28 funding public education from kindergarten to grade 12
30 as described in the Essential Programs and Services
32 Funding Act in accordance with the Maine Revised
34 Statutes, Title 20-A, section 15688 (Recommends):

22	<u>Total cost by</u>	<u>Municipal local</u>
	<u>municipality</u>	<u>contribution</u>
24	<u>Town A (\$amount)</u>	<u>Town A (\$amount)</u>
26	<u>Town B (\$amount)</u>	<u>Town B (\$amount)</u>
28	<u>Town C (\$amount)</u>	<u>Town C (\$amount)</u>
30	<u>School District</u>	<u>School District</u>
32	<u>Total (\$sum of above)</u>	<u>Total (\$sum of</u> <u>above)"</u>

34 (2) The following statement must accompany the article
36 in subparagraph (1). "Explanation: The school
38 administrative unit's contribution to the total cost of
40 funding public education from kindergarten to grade 12
42 as described in the Essential Programs and Services
44 Funding Act is the amount of money determined by state
46 law to be the minimum amount that each municipality
48 must raise in order to receive the full amount of state
dollars."

44 C. The state share of the total cost of funding public
46 education from kindergarten to grade 12 as described in
48 section 15688, excluding state-funded debt service for each
school administrative unit, is limited to the same
proportion as the local school administrative unit raises of
its required contribution to the total cost of education as

2 described in section 15688, excluding state-funded debt
service costs.

4 2. Non-state-funded debt service. For each school
6 administrative unit's contribution to debt service for
non-state-funded major capital school construction projects or
8 non-state-funded portions of major capital school construction
10 projects, the legislative body of each school administrative unit
may vote to raise and appropriate an amount up to the
municipality's or district's annual payments for non-state-funded
debt service.

12
14 A. An article in substantially the following form must be
used when a school administrative unit is considering the
16 appropriation for debt service allocation for
non-state-funded school construction projects or
non-state-funded portions of school construction projects.

18
20 (1) "Article: To see what sum the (municipality
or district) will raise for the annual debt service
22 payments on a non-state-funded school construction
project or non-state-funded portion of a school
24 construction project in addition to the funds
appropriated as the local share of the school
26 administrative unit's contribution to the total cost of
funding public education from kindergarten to grade
12. (Recommend \$.....)"

28
30 (2) The following statement must accompany the article
in subparagraph (1). "Explanation: Non-state-funded
32 debt service is the amount of money needed for the
annual payments on the (municipality's or district's)
34 long-term debt for major capital school construction
that is not approved for state subsidy. The bonding of
36 this long-term debt was approved by the voters on (date
of original referendum)."

38 3. Additional local appropriation. A school administrative
40 unit may raise and expend funds for educational purposes in
addition to the funds under subsections 1 and 2.

42 A. If the amount of the additional funds does not result in
the unit's exceeding its maximum state and local spending
44 target established pursuant to section 15671-A, subsection
4, an article in substantially the following form must be
46 used when a school administrative unit is considering the
appropriation of additional local funds:

48
50 (1) "Article: To see what sum the (municipality
or district) will raise and to appropriate the sum of

2 (Recommend \$.....) in additional local funds for school
3 purposes under the Maine Revised Statutes, Title 20-A,
4 section 15690. (Recommend \$.....)"

6 (2) The following statement must accompany the article
7 in subparagraph (1). "Explanation: The additional
8 local funds are those locally raised funds over and
9 above the school administrative unit's local
10 contribution to the total cost of funding public
11 education from kindergarten to grade 12 as described in
12 the Essential Programs and Services Funding Act and
13 local amounts raised for the annual debt service
14 payment on non-state-funded school construction
15 projects or the non-state-funded portion of a school
16 construction project that will help achieve the
17 (municipality's or district's) budget for educational
18 programs."

20 B. If the amount exceeds the unit's maximum state and local
21 spending target established pursuant to section 15671-A,
22 subsection 4, an article in substantially the following form
23 must be used when a school administrative unit is
24 considering an appropriation of additional local funds.

26 (1) "Article: Shall (name of municipality or
27 district) raise and appropriate \$..... in additional
28 local funds, which exceeds the State's Essential
29 Programs and Services funding model by \$.....?"

30 The (school committee or board of directors) recommends
31 \$..... for the following reasons: (state reasons)

32 (2) The following statement must accompany the article
33 in subparagraph (1). "Explanation: The additional
34 local funds are those locally raised funds over and
35 above the school administrative unit's local
36 contribution to the total cost of funding public
37 education from kindergarten to grade 12 as described in
38 the Essential Programs and Services Funding Act and
39 local amounts raised for the annual debt service
40 payment on non-state-funded school construction
41 projects or the non-state-funded portion of a school
42 construction project that will help achieve the
43 (municipality's or district's) budget for educational
44 programs."

46 4. Total budget article. A school administrative unit must
47 include a summary article indicating the total annual budget for
48 funding public education from kindergarten to grade 12 in the
49 school administrative unit. The amount recommended must be the
50 amount recommended by the school administrative unit.

2 gross budget of the school system. This article does not provide
3 money unless the other articles are approved.

4 A. "Article: To see what sum the (municipality or
5 district) will authorize the school committee to expend for
6 the fiscal year beginning (July 1, . . .) and ending (June
7 30, . . .) from the school administrative unit's contribution
8 to the total cost of funding public education from
9 kindergarten to grade 12 as described in the Essential
10 Programs and Services Funding Act, non-state-funded school
11 construction projects, additional local funds for school
12 purposes under the Maine Revised Statutes, Title 20-A,
13 section 15690, unexpended balances, tuition receipts, state
14 subsidy and other receipts for the support of schools.
15 (Recommend \$.....)"

16 5. Vote. Actions taken pursuant to subsections 1 to 4 must
17 be taken by a recorded vote.

18 6. Administrative costs for units with no pupils. If a
19 school administrative unit is required to pay administrative
20 costs and has no allocation of state or local funds, that unit
21 may raise and expend funds for administrative costs.

22 **§15691. Municipal assessment paid to district**

23 1. Presentation of assessment schedule. The assessment
24 schedule based on the budget approved at a community school
25 district or school administrative district budget meeting must be
26 presented to the treasurer of each municipality that is a member
27 of the district.

28 The assessment schedule must include each member municipality's
29 share of the school administrative unit's contribution to the
30 total cost of funding public education from kindergarten to grade
31 12 as described in section 15688, the school administrative
32 unit's contribution to debt service for non-state-funded school
33 construction projects and additional local funds for school
34 purposes under section 15690.

35 2. Municipal treasurer's payment schedule. The treasurer of
36 the member municipality, after being presented with the
37 assessment schedule, shall forward 1/12 of that member
38 municipality's share to the treasurer of the district on or
39 before the 20th day of each month of the fiscal year beginning in
40 July.

41 **§15692. Special school districts**

2 1. School administrative unit. For the purposes of section
3 15695 and Title 20, sections 3457 to 3460, a special school
4 district is deemed to be a school administrative unit.

6 2. Debt service. Debt service on bonds or notes issued by a
7 special school district must be included in the school budget of
8 the school administrative unit that operates the schools
9 constructed by that district. The school board for the school
10 administrative unit that operates the special district's schools
11 shall pay to the special school district all sums necessary to
12 meet the payments of principal and interest on bonds or notes
13 when due and to cover maintenance or other costs for which the
14 special school district is responsible.

16 **§15693. School budget; budget formats**

18 1. Content. A school administrative unit shall include in
19 its school budget document:

20 A. The school administrative unit's total cost of funding
21 public education from kindergarten to grade 12, its
22 non-state-funded debt service, if any, and any additional
23 expenditures authorized by law;

24 B. A summary of anticipated revenues and estimated school
25 expenditures for the fiscal year; and

26 C. The following statement, including the estimated dollar
27 amount of state retirement payments: "This budget does not
28 include the estimated amount of \$..... in employer share
29 of teacher retirement costs that is paid directly by the
30 State."

32 2. Budget deadlines. The following time limitations apply
33 to adoption of a school budget under this section.

34 A. At least 7 days before the initial meeting of the
35 legislative body responsible for adopting a budget, the
36 school administrative unit shall provide a detailed budget
37 document to that legislative body and to any person who
38 requests one and resides within the geographic area served
39 by the school administrative unit.

40 B. Notwithstanding a provision of law or charter to the
41 contrary, school administrative units may adopt an annual
42 budget prior to June 30th. The school budgets for career
43 and technical education regions must be adopted on or before
44 August 1st.

2 C. Notwithstanding any municipal charter provision,
3 ordinance or other law to the contrary, if the level of
4 state subsidy for the next school year is not finalized in
5 accordance with this chapter before June 1st, the school
6 board may delay a school budget meeting otherwise required
7 to be held before July 1st to a date after July 1st. If a
8 school board elects to delay a school budget meeting under
9 this paragraph, the meeting must be held and the budget
10 approved within 30 days of the date the commissioner
11 notifies the school board of the amount allocated to the
12 school administrative unit under section 15689-B. When a
13 school budget meeting is delayed under this paragraph, the
14 school administrative unit may continue operation of the
15 unit at the same budget levels as were approved for the
16 previous year. Continued operation under the budget for the
17 previous year is limited to the time between July 1st and
18 the date the new budget goes into effect.

19 3. Budget format. The following provisions apply to a
20 budget format.

21 A. Except as provided in subsection 4, the budget format is
22 that prescribed by a majority of the school board until an
23 article prescribing the school budget format is approved by
24 a majority of voters in an election in which the total vote
25 is at least 20% of the number of votes cast in the
26 municipality in the last gubernatorial election, or 200,
27 whichever is less.

28 B. The format of the school budget may be determined in
29 accordance with section 1306.

30 C. It is the intent of the Legislature that a school board
31 shall attempt to obtain public participation in the
32 development of the school budget format.

33 4. Budget format; town or city charter. In a municipality
34 where the responsibility for final adoption of the school budget
35 is vested by municipal charter in a council, the school budget
36 format may be changed through amendment of the charter under the
37 home rule procedures of Title 30-A, chapter 111, except that the
38 amendment must be approved by a majority of voters in an election
39 in which the total vote is at least 20% of the number of votes
40 cast in the municipality in the last gubernatorial election.

41 5. Budget format; town meeting. When the final budget
42 authority is vested in a town meeting operating under the general
43 enabling procedures of Title 30-A, the format of the school
44 budget may be determined by the town meeting or under the
45 procedures of Title 30-A, section 2522 or 2528.

2 6. Budget format; community school district. The following
4 provisions apply to the budget format of a community school
 district.

6 A. An article containing the district's proposed budget
8 format must be placed on the next warrant issued or ballot
 printed if:

10 (1) A majority of the district school committee votes
12 to place it on the warrant or ballot; or

14 (2) A written petition signed by at least 10% of the
16 number of voters voting in the last gubernatorial
18 election in each municipality within the community
 school district requests it to be on the warrant or
 ballot.

20 B. The article containing the budget format may be voted on
22 by secret ballot at an election conducted in accordance with
 Title 30-A, sections 2528 to 2532.

24 C. The district school committee shall:

26 (1) Issue a warrant specifying that the municipal
28 officers of the municipalities within the community
 school district shall place the budget format article
 on the secret ballot; and

30 (2) Prepare and furnish the required number of ballots
32 for carrying out the election, including absentee
 ballots.

34 7. Budget format; articles. The articles prescribed in this
36 chapter must be included in the budget format and be voted on in
 the adoption of the budget in order to determine state and local
 cost sharing.

38 8. Change in budget format. Any change in the budget format
40 must be voted on at least 90 days prior to the budget year for
42 which that change is to be effective.

44 §15694. Actions on budget

46 The following provisions apply to approving a school budget
 under this chapter.

48 1. Checklist required. Prior to a vote on articles dealing
50 with school appropriations, the moderator of a regular or special
 school budget meeting shall require the clerk or secretary to

2 make a checklist of the registered voters present. The number of
3 voters listed on the checklist is conclusive evidence of the
4 number present at the meeting.

6 2. Reconsideration. Notwithstanding any law to the
7 contrary, in school administrative units where the school budget
8 is finally approved by the voters, a special budget meeting to
9 reconsider action taken on the budget may be called only as
10 follows.

12 A. The meeting must be held within 30 days of the regular
13 budget meeting at which the budget was finally approved.

14 B. In a school administrative district or community school
15 district, the meeting must be called by the school board or
16 as follows.

18 (1) A petition containing a number of signatures of
19 legal voters in the member municipalities of the school
20 administrative unit equalling at least 10% of the
21 number of voters who voted in the last gubernatorial
22 election in member municipalities of the school
23 administrative unit, or 100 voters, whichever is less,
24 and specifying the article or articles to be
25 reconsidered must be presented to the school board
26 within 15 days of the regular budget meeting at which
27 the budget was finally approved.

28 (2) On receiving the petition, the school board shall
29 call the special budget reconsideration meeting, which
30 must be held within 15 days of the date the petition
31 was received.

34 C. In a municipality, the meeting must be called by the
35 municipal officers:

36 (1) Within 15 days after receipt of a request from the
37 school board, if the request is received within 15 days
38 of the budget meeting at which the budget was finally
39 approved and it specifies the article or articles to be
40 reconsidered; or

42 (2) Within 15 days after receipt of a written
43 application presented in accordance with Title 30-A,
44 section 2532, if the application is received within 15
45 days of the budget meeting at which the budget was
46 finally approved and it specifies the article or
47 articles to be reconsidered.

2 3. Invalidation of action of special budget reconsideration
3 meeting. If a special budget meeting is called to reconsider
4 action taken at a regular budget meeting, the actions of the
5 meeting are invalid if the number of voters at the special budget
6 meeting is less than the number of voters present at the regular
7 budget meeting.

8 4. Line-item transfers. Meetings requested by a school
9 board for the purpose of transferring funds from one category or
10 line item to another must be posted for voter or council action
11 within 15 days of the date of the request.

12 §15695. Bonds; notes; other

13 All bonds, notes or other evidences of indebtedness issued
14 for school purposes by a school administrative unit for major
15 capital expenses, bus purchases or current operating expenses,
16 including tax or other revenue anticipation notes, are general
17 obligations of the unit.

18 1. Tax assessments. The municipal officers or school board
19 shall require the sums that are necessary to meet in full the
20 principal of and interest on the bonds, notes or other evidences
21 of indebtedness issued pursuant to this section payable in each
22 year to be assessed and collected in the manner provided by law
23 for the assessment and collection of taxes.

24 2. Reduction. The sums to be assessed and collected under
25 subsection 1 must be reduced by the amount of an allocation of
26 funds appropriated by the Legislature to pay the principal and
27 interest owed by the school administrative unit in a given year
28 as certified to the unit by the commissioner. The commissioner
29 shall certify the amount due to the unit within 30 days of its
30 appropriation by the Legislature.

31 3. Collection. After assessment and reduction under
32 subsection 2, the remaining sum must be paid from ad valorem
33 taxes, which may be levied without limit as to rate or amount
34 upon all the taxable property within the school administrative
35 unit.

36 Sec. D-63. 20-A MRSA c. 608 is enacted to read:

37 CHAPTER 608

38 SCHOOL FINANCE ACT OF 2003

39 §15751. Short title

2 This chapter may be known and cited as "the School Finance
Act of 2003."

4 **§15752. Mandated legislative appropriations for kindergarten**
to grade 12 education

6
8 In accordance with the phase-in schedule provided in chapter
606-B, beginning in fiscal year 2006-07, the Legislature each
year shall provide at least 55% of the cost of the total
10 allocation for kindergarten to grade 12 education from General
Fund revenue sources.

12
14 For the purposes of this chapter, and until such time as the
Legislature may implement an alternative school funding system,
"total allocation" means the foundation allocation for a year,
16 the debt service allocation for that year, the sum of all
adjustments for that year and the total of the additional local
18 appropriations for the prior year. In the event the Legislature
implements an alternative school funding model that alters the
20 meaning of the terms used in this Title or otherwise makes
obsolete the system of allocations and local appropriations
22 established by this Title, the term "total allocation" as it
applies to the mandatory appropriation required by this section
24 means the amount reasonably calculated as the equivalent of this
definition.

26
28 **§15753. Mandated legislative appropriations for special education**

30 Except as provided in section 15689, subsection 1, but
notwithstanding any other provision of chapter 606-B, the
32 Legislature shall provide 100% of a school administrative unit's
special education costs as calculated pursuant to section
15681-A, subsection 2.

34
36 For the purposes of the mandatory appropriation required by
this section, and in accordance with the essential programs and
services school funding allocation system established in chapter
38 606-B, the commissioner shall identify and provide in the
commissioner's recommendation pursuant to section 15689-C the
40 total special education costs required to be funded pursuant to
this section. In addition to any appropriations required by
42 section 15689-E, the Legislature shall appropriate and ensure the
accurate distribution of the total amount identified by the
44 commissioner, adjusted by the federal reimbursements for the
costs of special education services mandated by federal or state
46 law, rule or regulation that will be provided to the individual
school administrative units for that same school year.

48
50 **§15754. Fund for the Efficient Delivery of Educational Services**

2 The Fund for the Efficient Delivery of Educational Services,
3 referred to in this section as "the fund," is established as a
4 dedicated nonlapsing account within the Department of Education.
5 This section provides for the design, implementation,
6 administration and use of the fund.

7 1. Source of funds; purpose. Funds for appropriations
8 under this section must be appropriated in addition to the total
9 amount annually appropriated for general purpose aid for local
10 schools and must be placed into a single account. For fiscal
11 year 2005-06 and fiscal year 2006-07, an amount calculated to be
12 not greater than 2% of the total amount annually appropriated for
13 general purpose aid for local schools must be dedicated to the
14 fund and distributed from the fund to those school administrative
15 units and municipalities that are able to demonstrate significant
16 and sustainable savings in the cost of delivering educational
17 services and improved student achievement through changes in
18 governance, administrative structure or adopted policy that
19 result in the creation of consolidated school administrative
20 units, broad-based purchasing alliances, enhanced regional
21 delivery of educational services or collaborative
22 school-municipal service delivery or service support systems.

23 Beginning in fiscal year 2005-06, the Legislature shall annually,
24 prior to March 15th, enact legislation to allocate the following
25 amounts calculated based on the amount appropriated for general
26 purpose aid for local schools to the fund during each of the
27 following fiscal years:

28 A. In fiscal year 2005-06, an amount equivalent to 0.83% of
29 the total amount appropriated for general purpose aid for
30 local schools; and

31 B. In fiscal year 2006-07, an amount equivalent to 2% of
32 the total amount appropriated for general purpose aid for
33 local schools.

34 Any balance remaining in the fund at the end of any fiscal year
35 does not lapse and must be carried forward for the next fiscal
36 year.

37 2. Administration; plan for implementation of the fund.
38 The department shall administer the fund or may contract for
39 services for administration of the fund. The commissioner, in
40 consultation with the Executive Department, State Planning Office
41 and the other agencies, organizations and individuals determined
42 appropriate by the commissioner, shall establish an
43 implementation plan for the fund that includes, but is not
44 limited to, the following:

2 A. The establishment of criteria through which school
3 administrative units and municipalities may demonstrate
4 significant and sustainable savings in the cost of
5 delivering educational services and improved student
6 achievement through changes in governance, administrative
7 structure or adopted policy that result in the creation of
8 consolidated school administrative units, broad-based
9 purchasing alliances, enhanced regional delivery of
10 educational services or collaborative school-municipal
11 service delivery or service support systems;

12 B. Pursuant to criteria established in accordance with this
13 section, a school administrative unit or municipality may
14 apply to the commissioner for a distribution from the fund
15 during the period beginning with the start of fiscal year
16 2005-06 and ending prior to the end of fiscal year 2006-07;
17 and

18 C. Pursuant to criteria established in accordance with this
19 section, the commissioner may authorize distributions from
20 the fund in the form of competitive and planning grants.

21 **§15755. Entitlement**

22
23 The State's school administrative units and municipalities
24 are entitled to the appropriations required by this chapter.

25 **Sec. D-64. 30-A MRSA §2181, sub-§4. ¶E.** as enacted by PL 2003,
26 c. 696, §12, is amended to read:

27 E. Identify best management practices and make this
28 information available to the public, including, but not
29 limited to, best management practices that facilitate
30 property tax rate reduction pursuant to the increasing state
31 share of the total cost of essential programs and services
32 under Title 20-A, chapter 606-B;

33 **Sec. D-65. 30-A MRSA §6006-F, sub-§6,** as enacted by PL 1997,
34 c. 787, §13, is amended to read:

35 **6. Forgiveness of principal payments.** The fund must
36 provide direct grants by forgiving the principal payments of a
37 loan for an eligible school administrative unit. The amount of
38 the forgiveness of principal payments must be determined by the
39 school administrative unit's state share percentage ~~of--debt~~
40 ~~service-costs~~ as determined in Title 20-A, section ~~15611~~ 15672,
41 subsection 31, not to exceed:

42 A. Seventy percent and no less than 30% for health, safety
43 and compliance;

2 B. Seventy percent and no less than 30% for repairs and
improvements; and

4 C. ~~Fifty~~ Seventy percent and no less than 20% 30% for
6 learning space upgrades.

8 **Sec. D-66. Fund for the Efficient Delivery of Educational Services;
implementation plan.** The Commissioner of Education shall submit a
10 proposed plan to govern the design, implementation, management
and oversight of the Fund for the Efficient Delivery of
12 Educational Services established in the Maine Revised Statutes,
Title 20-A, section 15754 to the Joint Standing Committee on
14 Education and Cultural Affairs by March 31, 2005. As part of
this review, the commissioner shall consider the efficient
16 delivery of educational services in rural and isolated small
school administrative units. The joint standing committee may
18 report out a bill designed in accordance with the intentions of
this Part to govern the design, implementation, management and
20 oversight of the Fund for the Efficient Delivery of Educational
Services.

22 **Sec. D-67. Fund for the Efficient Delivery of Educational Services;
24 distribution of the fund in fiscal year 2005-06.** Notwithstanding the
Maine Revised Statutes, Title 20-A, section 15754, the
26 allocations from the General Purpose Aid to Local Schools program
in fiscal year 2005-06 to the Fund for the Efficient Delivery of
28 Educational Services must be used for the transition adjustment
pursuant to Title 20-A, section 15686, subsection 1. The
30 allocation of funds from the Fund for the Efficient Delivery of
Educational Services must be distributed to school administrative
32 units that are eligible for the transition adjustment under the
criteria established in Title 20-A, section 15686, subsection 1.

34 **Sec. D-68. Sharing of total costs in school administrative districts and
36 community school districts: Department of Education review.**
Notwithstanding the Maine Revised Statutes, Title 20-A, section
38 15688, subsection 2 and to ensure that member municipalities of
school administrative districts and community school districts
40 whose cost-sharing formulas were established in accordance with
Title 20-A, sections 1301 and 1704, respectively, do not
42 experience significant adverse effects as a result of the
cost-sharing mechanism established pursuant to Title 20-A,
44 section 15688, subsection 2, the Department of Education shall
conduct a review and analysis, for each school administrative
46 unit, of the implications of this proposed cost-sharing mechanism
on the member municipalities of these school administrative
48 districts and community school districts. The Department of
Education shall assist the member municipalities of these school

2 districts in developing transition plans that include a phase-in
to achieve the new method of determining member municipalities'
4 local cost of education in accordance with Title 20-A, section
15688, subsection 2 no later than fiscal year 2008-09. The
6 Department of Education shall report the findings of this review,
including any recommended legislation, to the Joint Standing
8 Committee on Education and Cultural Affairs by March 31, 2005.
The Joint Standing Committee on Education and Cultural Affairs is
10 authorized to introduce a bill related to the Department of
Education report to the First Regular Session of the 122nd
12 Legislature.

14 **Sec. D-69. Method of cost sharing; exception.** Beginning in
fiscal year 2005-06, the provisions of the Maine Revised
16 Statutes, Title 20-A, section 15688, subsection 2 do not apply in
determining the local cost of education of member municipalities
18 in Maine School Administrative Districts No. 6 and No. 44. The
cost-sharing formulas established between the member
20 municipalities in these 2 school administrative districts prior
to January 1, 2005 remain in effect until the formulas are
22 changed pursuant to Title 20-A, section 1301, subsection 3.
Pursuant to section 68, all other school administrative districts
24 and community school districts whose cost-sharing formulas were
established in accordance with Title 20-A, sections 1301 and
26 1704, respectively, remain subject to a phase-in approach to
achieve the requirements of Title 20-A, section 15688, subsection
2 and must reach full implementation of this provision no later
28 than fiscal year 2008-09.

30 **Sec. D-70. Criteria for isolated small school adjustment;**
rulemaking. For fiscal year 2005-06 and pursuant to the Maine
32 Revised Statutes, Title 20-A, section 15683, subsection 1,
paragraph F, the Commissioner of Education shall use the proposed
34 model that was approved by the State Board of Education during
its December 2004 meeting to determine the school administrative
36 units that qualify for the adjustment for isolated small schools,
except that the commissioner shall use the following criterion
38 change for isolated small elementary schools: for elementary
schools, the distance from the nearest school is reduced from 10
40 to 8 miles. The commissioner shall develop provisionally adopted
rules that establish the qualifications for the adjustment for
42 isolated small schools in accordance with Title 20-A, section
15687 no later than December 2, 2005 so that the Legislature may
44 consider these criteria during the Second Regular Session of the
122nd Legislature.

46 **Sec. D-71. Transition adjustment for fiscal year 2006-07.** To
48 minimize the adverse fiscal impact that may be experienced by
some school administrative units as a result of the phase-in of
50 the Essential Programs and Services Funding Act, the Commissioner

of Education shall facilitate a review and analysis of the need for a transition adjustment in fiscal year 2006-07. The Commissioner of Education, no later than January 13, 2006, shall make a recommendation to the Joint Standing Committee on Education and Cultural Affairs regarding the eligibility requirements and funding levels necessary for a transition adjustment in fiscal year 2006-07. The recommendations of the Commissioner of Education must be consistent with the provisions of the Maine Revised Statutes, Title 20-A, section 15686.

Sec. D-72. Application. This Part applies to school budgets passed for the fiscal year beginning July 1, 2005, and thereafter.

Sec. D-73. Effective date. Except for that portion of this Part that enacts the Maine Revised Statutes, Title 20-A, section 15754 and that portion that amends Title 30-A, section 2181, subsection 4, paragraph E, and except for sections 66 to 71, this Part takes effect July 1, 2005.

PART E

Sec. E-1. 36 MRSA §6201. sub-§1. as amended by PL 1993, c. 670, §9, is further amended to read:

1. Benefit base. "Benefit base" means property taxes accrued or rent constituting property taxes accrued. In the case of a claimant paying both rent and property taxes for a homestead, benefit base means both property taxes accrued and rent constituting property taxes accrued. The benefit base may not exceed \$3,000 for single-member households and \$4,000 for households with 2 or more members.

Sec. E-2. 36 MRSA §6201, sub-§11-A, as amended by PL 1999, c. 401, Pt. R, §1 and affected by §2, is further amended to read:

11-A. Rent constituting property taxes accrued for nonelderly household. "Rent constituting property taxes accrued for nonelderly household" means ~~18%~~ 20% of the gross rent actually paid in cash or its equivalent in any tax year by a claimant and the claimant's household solely for the right of occupancy of their Maine homestead in the tax year and which rent constitutes the basis, in the succeeding calendar year, of a claim for relief under this chapter by the claimant.

Sec. E-3. 36 MRSA §6204. as amended by PL 2001, c. 396, §42, is further amended to read:

§6204. Filing date

2 A claim may not be paid unless the claim is filed with the
Bureau of Revenue Services on or after August 1st and on or
4 before the following ~~December~~ May 31st.

6 **Sec. E-4. 36 MRSA §6207, sub-§1, ¶A-1.** as amended by PL 1997,
c. 557, Pt. A, §3 and affected by Pt. G, §1, is further amended
8 to read:

10 A-1. Fifty percent of that portion of the benefit base that
exceeds 4% but does not exceed 8% of income plus 100% of
12 that portion of the benefit base that exceeds 8% of income
to a maximum payment of \$1,000 \$2,000.

14 **Sec. E-5. 36 MRSA §6207, sub-§2.** as amended by PL 1997, c.
16 557, Pt. A, §3 and affected by Pt. G, §1, is repealed.

18 **Sec. E-6. 36 MRSA §6209,** as amended by PL 1989, c. 508, §25,
is further amended to read:

20 **§6209. Annual adjustment**

22 **1. Household limitation adjustment.** ~~Beginning--March--1,~~
24 ~~1989,--and--annually--thereafter,--the~~ The State Tax Assessor shall
determine annually the household income eligibility adjustment
26 factor. That factor shall must be multiplied by the applicable
income limitations in section 6206, as previously adjusted
28 according to this subsection, ~~applicable~~ for the year prior to
that for which relief is requested. The result shall must be
30 rounded to the nearest \$100 and shall ~~apply~~ applies to the year
for which relief is requested corresponding to the year on which
32 the annualized cost of living adjustments were based. ~~Beginning~~
~~March 1, 1991, the same procedure shall be employed to adjust the~~
34 ~~income limitation in section 6207, subsection 2.~~

36 **2. Benefit base maximum adjustment.** Beginning March 1,
2006, the State Tax Assessor shall annually multiply the
38 household income eligibility adjustment factor by the maximum
benefit base amounts specified in section 6201, subsection 1, as
40 previously adjusted. The result must be rounded to the nearest
\$50 and applies to the application period beginning the next
42 August 1st.

44 **Sec. E-7. Application.** This Part applies to claims for
benefits under the Maine Residents Property Tax Program filed for
46 application periods that begin on or after August 1, 2005.

48 **PART F**

2 **Sec. F-1. 36 MRSA §683, sub-§1.** as repealed and replaced by PL
4 following enacted in its place:

6 1. Exemption amount. Except for assessments for special
8 benefits, the just value of \$13,000 of the homestead of a
10 permanent resident of this State who has owned a homestead in
12 this State for the preceding 12 months is exempt from taxation.
14 In determining the local assessed value of the exemption, the
16 assessor shall multiply the amount of the exemption by the ratio
18 of current just value upon which the assessment is based as
20 furnished in the assessor's annual return pursuant to section
383. If the title to the homestead is held by the applicant
jointly or in common with others, the exemption may not exceed
\$13,000 of the just value of the homestead, but may be
apportioned among the owners who reside on the property to the
extent of their respective interests. A municipality responsible
for administering the homestead exemption has no obligation to
create separate accounts for each partial interest in a homestead
owned jointly or in common.

22 **Sec. F-2. 36 MRSA §683, sub-§1-A.** as enacted by PL 2003, c.
24 20, Pt. BB, §2 and affected by §3, is repealed.

26 **Sec. F-3. 36 MRSA §683, sub-§§3 and 4.** as enacted by PL 1997,
c. 643, Pt. HHH, §3 and affected by §10, are amended to read:

28 **3. Effect on state valuation.** The Fifty percent of the
30 just value of homesteads exempt under this subchapter must be
included in the annual determination of state valuation under
sections 208 and 305.

32 **4. Property tax rate.** The Fifty percent of the value of
34 homestead exemptions under this subchapter must be included in
the total municipal valuation used to determine the municipal tax
36 rate. The municipal tax rate as finally determined may be
applied to only the taxable portion of each homestead qualified
38 for that tax year.

40 **Sec. F-4. 36 MRSA §685, sub-§2.** as enacted by PL 1997, c. 643,
42 Pt. HHH, §3 and affected by §10, is amended to read:

44 **2. Entitlement to reimbursement by the State; calculation.**
A municipality that has approved homestead exemptions under this
subchapter may recover from the State ~~100%~~ 50% of the taxes lost
46 by reason of the exemptions upon proof in a form satisfactory to
the bureau. The bureau shall reimburse the Unorganized Territory
48 Education and Services Fund for ~~100%~~ 50% of taxes lost by reason
of the exemption.

2 **Sec. F-5. Application.** This Part applies to property tax
4 valuations determined on or after April 1, 2005.

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8 **PART G**

8 **Sec. G-1. 30-A MRSA §5681, sub-§2, ¶C,** as enacted by PL 1999,
10 c. 731, Pt. U, §1, is amended to read:

10 C. "Annual growth ceiling" for fiscal year 2000-01 ~~means~~
12 ~~the amount certified by the Treasurer of State by September~~
14 ~~1, 2000 as the amount transferred to the Local Government~~
16 ~~Fund in fiscal year 1999-00~~ 2005-06 means \$100,000,000. For
18 subsequent fiscal years, "annual growth ceiling" must be
20 determined by the State Tax Assessor by September 1st
22 annually and means the annual growth ceiling adjusted by the
lower of the increase for the previous fiscal year in the
Consumer Price Index or the increase in receipts from the
taxes imposed under Title 36, Parts 3 and 8. The annual
growth ceiling may not be less than the annual growth
ceiling for the previous year.

24 **Sec. G-2. Application.** This Part applies to fiscal years
26 beginning on or after July 1, 2005.

28 **PART H**

30 **Sec. H-1. 30-A MRSA §5681, sub-§5-B,** as enacted by IB 2003, c.
32 2, §3, is amended to read:

34 **5-B. Fund for the Efficient Delivery of Local and Regional**
36 **Services.** For the months beginning on or after July 1, 2004 and
before the distributions required by subsections 4-A and 4-B, 2%
of all receipts transferred each month pursuant to subsection 5
must be deposited in the Fund for the Efficient Delivery of Local
38 and Regional Services, as established in subsection 3, and
distributed to those municipalities and counties that can
40 demonstrate significant and sustainable savings in the cost of
42 delivering local and regional governmental services through
collaborative approaches to service delivery, enhanced regional
delivery systems, the consolidation of administrative services,
44 the creation of broad-based purchasing alliances or the execution
of interlocal agreements.

46 **Sec. H-2. 36 MRSA Pt. 11** is enacted to read:
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50 **PART 11**

STATE TAX POLICY GOALS

CHAPTER 931

TAX BURDEN REDUCTION GOALS

§7301. Tax burden reduction goals

It is the goal and policy of the State that by 2015 the State's total state and local tax burden be ranked in the middle 1/3 of all states, as determined by the United States Census Bureau's most recent tax burden analysis, adjusted by the assessor to reflect the State's unique expenditure tax relief programs.

It is the goal and policy of the State that additional state funds provided to municipalities through increases in the state share of education funding under the essential programs and services funding model must, to the greatest possible extent, be available for statewide property tax reduction.

§7302. Progress reporting and data

1. Assessment and report. The State Planning Office shall separately assess and report on the progress made by the State, municipalities, counties and school administrative units, respectively, in achieving the tax burden reduction goals established in section 7301.

2. Indicators; annual report. With reference to Title 5, chapter 142; Title 20-A, section 15671, subsection 1; and Title 30-A, sections 706-A and 5721-A, the State Planning Office shall develop and apply specific, quantifiable performance indicators against which the progress in achieving the tax burden reduction goals established in section 7301 can be measured. On January 15, 2006 and annually thereafter, the State Planning Office shall report to the Governor and to the joint standing committee of the Legislature having jurisdiction over taxation matters on the progress made by the State, counties, municipalities and school administrative units, respectively, in achieving the tax burden reduction goals. The report required by this subsection must be comprised of 4 distinct parts reporting on the progress made by the State, municipalities, counties and school administrative units, respectively. The State Planning Office may also include in its report recommendations on alternative strategies to achieve the tax burden reduction goals established in section 7301 that reflect the best practices in this State, other states and other countries.

3. Data. The State Planning Office shall annually collect and analyze data regarding spending and revenues for municipalities, counties and school administrative units. The State Planning Office shall submit an annual report that provides information and analysis regarding government spending and revenue behavior and trends to the Governor and the joint standing committee of the Legislature having jurisdiction over taxation matters. The report must include information that identifies spending and revenue behavior by individual municipalities, counties and school administrative units. Upon request, other departments of State Government shall cooperate and assist the State Planning Office in the preparation of the report.

Sec. H-3. Fund for the Efficient Delivery of Local and Regional Services; distribution. The Department of Administrative and Financial Services shall present a bill to the First Regular Session of the 122nd Legislature by March 1, 2005 that establishes the details of a plan for the design, implementation, management and oversight of the Fund for the Efficient Delivery of Local and Regional Services, established in the Maine Revised Statutes, Title 30-A, section 5681, subsection 3, including the distribution of the fund, in the form of competitive grants and planning grants to municipalities, counties and regional government subdivisions that demonstrate significant and sustainable savings in the cost of delivering local and regional governmental services, or, in the case of planning grants, the potential for such savings, through collaborative approaches to service delivery, enhanced regional delivery systems, the consolidation of regional services and the creation of broad-based purchasing alliances.

PART I

Sec. I-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Homestead Property Tax Exemption Reimbursement 0886

Initiative: Provides funds to increase the homestead exemption to \$13,000 and to provide 50% reimbursement to municipalities.

GENERAL FUND	2005-06	2006-07
All Other	\$53,872	\$162,789
GENERAL FUND TOTAL	\$53,872	\$162,789

Homestead Property Tax Exemption - Mandate Reimbursement 0887

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Initiative: Provides funds to reimburse municipalities 90% of the additional costs associated with changes to the homestead exemption.

GENERAL FUND	2005-06	2006-07
All Other	\$115,000	\$0
GENERAL FUND TOTAL	\$115,000	\$0

Maine Revenue Services 0002

Initiative: Provides funds for one Tax Examiner position and related costs associated with the expansion of the Maine Residents Property Tax Program, including one-time funds for computer programming costs.

GENERAL FUND	2005-06	2006-07
POSITIONS - LEGISLATIVE COUNT	1.000	1.000
Personal Services	\$52,529	\$56,513
All Other	\$109,517	\$85,002
GENERAL FUND TOTAL	\$162,046	\$141,515

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF DEPARTMENT TOTALS

	2005-06	2006-07
General Fund	\$330,918	\$304,304
DEPARTMENT TOTAL - ALL FUNDS	\$330,918	\$304,304

EDUCATION, DEPARTMENT OF

General Purpose Aid for Local Schools 0308

Initiative: Provides additional funds needed to increase the State's share of the total cost of K-12 public education based on the essential programs and services model to 55% by fiscal year 2006-07.

GENERAL FUND	2005-06	2006-07
All Other	\$0	\$90,205,242
GENERAL FUND TOTAL	\$0	\$90,205,242

General Purpose Aid for Local Schools 0308

COMMITTEE AMENDMENT "B" to H.P. 6, L.D. 1

2 Initiative: Appropriates funds in fiscal year 2005-06 in order
 3 to provide additional subsidy to local school units and
 4 deappropriates funds in fiscal year 2006-07 due to revised
 5 projections of the amount of subsidy required to fund the State's
 6 share of the cost of essential programs and services.

GENERAL FUND	2005-06	2006-07
8 All Other	\$6,463,417	(\$5,963,417)
10 GENERAL FUND TOTAL	<u>\$6,463,417</u>	<u>(\$5,963,417)</u>

12 **General Purpose Aid for Local Schools 0308**

14 Initiative: Provides funds for the Fund for the Efficient
 15 Delivery of Educational Services. Funds appropriated in fiscal
 16 year 2005-06 only are to be used to provide transition
 17 adjustments in order to minimize the adverse fiscal impact that
 18 may be experienced by some municipalities as a result of the
 19 phase-in of the essential programs and services model.

GENERAL FUND	2005-06	2006-07
22 All Other	\$6,962,382	\$19,929,786
24 GENERAL FUND TOTAL	<u>\$6,962,382</u>	<u>\$19,929,786</u>

26 **Fund for the Efficient Delivery of Educational Services**

28 Initiative: Allocates funds for the Fund for the Efficient
 29 Delivery of Educational Services. Funds appropriated in fiscal
 30 year 2005-06 only are to be used to provide transition
 31 adjustments in order to minimize the adverse fiscal impact that
 32 may be experienced by some municipalities as a result of the
 33 phase-in of the essential programs and services model.

OTHER SPECIAL REVENUE FUNDS	2005-06	2006-07
36 All Other	\$6,962,382	\$19,929,786
38 OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$6,962,382</u>	<u>\$19,929,786</u>

EDUCATION, DEPARTMENT OF DEPARTMENT TOTALS	2005-06	2006-07
42 GENERAL FUND	\$13,425,799	\$104,171,611
44 OTHER SPECIAL REVENUE FUNDS	\$6,962,382	\$19,929,786
46 DEPARTMENT TOTAL - ALL FUNDS	<u>\$20,388,181</u>	<u>\$124,101,397</u>

48 **EXECUTIVE DEPARTMENT**

50 State Planning Office 0082

COMMITTEE AMENDMENT "B" to H.P. 6, L.D. 1

2 Initiative: Provides funds for contractual services for the
 4 required data collection, data entry and analysis.

6	GENERAL FUND	2005-06	2006-07
	All Other	\$50,000	\$50,000
8	GENERAL FUND TOTAL	<u>\$50,000</u>	<u>\$50,000</u>
10	EXECUTIVE DEPARTMENT		
12	DEPARTMENT TOTALS	2005-06	2006-07
	GENERAL FUND	\$50,000	\$50,000
14	DEPARTMENT TOTAL - ALL FUNDS	<u>\$50,000</u>	<u>\$50,000</u>
16			
18	SECTION TOTALS	2005-06	2006-07
	GENERAL FUND	\$13,806,717	\$104,525,915
20	OTHER SPECIAL REVENUE FUNDS	\$6,962,382	\$19,929,786
22	SECTION TOTAL - ALL FUNDS	<u>\$20,769,099</u>	<u>\$124,455,701</u>

24 **SUMMARY**

26
 28 Part A establishes a General Fund appropriation limitation
 30 that limits the growth of General Fund revenues to the rate
 32 established by a formula that is based on real personal income
 growth and population growth. The limit is higher when the state
 and local tax burden for the State is reduced to the middle 1/3
 of all states.

34 Part A also restructures the Maine Budget Stabilization Fund
 36 and changes the primary use of the fund to budget stabilization
 during periods when General Fund revenues are insufficient to
 38 meet allowable General Fund appropriations. The Maine Budget
 Stabilization Fund is capped at 12% of General Fund revenues.
 40 When all designated year-end transfers of excess General Fund
 revenues have reached their caps, excess revenues are transferred
 42 to a new Tax Relief Fund for Maine Residents.

44 Part B establishes limits on the growth of county tax
 assessments.

46 Part C establishes limits on the growth of municipal
 48 property tax levies.

COMMITTEE AMENDMENT "B" to H.P. 6, L.D. 1

2 Part D is the same as Part D in the majority report, except
that it ramps up the state share of the cost of education to 55%
4 in 2 years rather than 4 years.

6 Part E changes the Maine Residents Property Tax Program,
also known as "the circuit breaker program," by eliminating
8 income eligibility requirements, raising the maximum benefit from
\$1,000 to \$2,000, extending the application period through May
10 31st annually and establishing the maximum property taxes and
rent constituting property taxes that may be considered in
calculating the benefit.

12 Part F increases the homestead property tax exemption to
14 \$13,000 for all homesteads.

16 Part G sets the ceiling on the Local Government Fund under
state-municipal revenue sharing at \$100,000,000 in fiscal year
18 2005-06 and provides for future indexing of the ceiling according
to the Consumer Price Index. This change increases the portion
20 of state-municipal revenue sharing funds transferred to the
Disproportionate Tax Burden Fund, also referred to as Revenue
22 Sharing 2, which provides greater payments to municipalities with
tax rates exceeding 10 mills.

24 Part H establishes the goal of reducing the total state and
26 local tax burden to the middle 1/3 of all states by 2015. It
also requires the State Planning Office to monitor and report on
28 the progress of state and local government in meeting this goal
and to collect and analyze data relating to state and local
30 spending and revenues.

32 **FISCAL NOTE REQUIRED**
34 **(See attached)**

**122nd MAINE LEGISLATURE**

LD 1

LR 0328(03)

An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels**Fiscal Note for Bill as Amended by Committee Amendment " "****Committee: Joint Select Committee on Property Tax Reform****Fiscal Note Required: Yes****Minority Report****Fiscal Note**

	2005-06	2006-07	Projections 2007-08	Projections 2008-09
Net Cost (Savings)				
General Fund	\$ 29,678,528	\$ 120,692,020	\$ 84,319,594	\$ 41,288,094
Appropriations/Allocations				
General Fund	\$ 13,806,717	\$ 104,525,915	\$ 66,592,673	\$ 21,430,377
Other Special Revenue Funds	\$ 6,962,382	\$ 19,929,786	\$ 20,433,652	\$ 20,730,626
Revenue				
General Fund	\$ (15,871,811)	\$ (16,166,105)	\$ (17,726,921)	\$ (19,857,717)
Other Special Revenue Funds	\$ (870,605)	\$ (886,749)	\$ (972,363)	\$ (1,089,242)
Fiscal Detail and Notes				
General Fund Summary - Costs (Savings)	2005-06	2006-07	2007-08	2008-09
Additional amount needed to fund EPS in bill above Governor's Current Services Budget Proposal for the 2006-2007 Biennium ¹	\$ 6,463,417	\$ 84,241,825	\$ 45,632,067	\$ 0
Additional amount needed to fund Efficient Delivery of Educational Services Fund ²	\$ 6,962,382	\$ 19,929,786	\$ 20,433,652	\$ 20,730,626
Homestead 50% @ \$13,000 ³	\$ 53,872	\$ 162,789	\$ 330,135	\$ 497,481
Homestead - Mandate Reimbursement	\$ 115,000	\$ -	\$ -	\$ -
Circuit Breaker Expansion ⁴	\$ 16,594,129	\$ 16,866,209	\$ 18,443,539	\$ 20,590,019
Individual Income Tax ⁵	\$ (722,318)	\$ (700,104)	\$ (716,618)	\$ (732,302)
State Planning Office	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Maine Revenue Services Administrative Costs	\$ 162,046	\$ 141,515	\$ 146,819	\$ 152,270
Net General Fund Cost (Savings)	\$ 29,678,528	\$ 120,692,020	\$ 84,319,594	\$ 41,288,094
Net Funding Contained in Budget	\$ 4,481,802	\$ 4,445,590	\$ 4,423,817	\$ 4,416,359
Additional Amount Required	\$ 25,196,726	\$ 116,246,430	\$ 79,895,777	\$ 36,871,735

- ¹ Additional General Fund amount required is a function of funding EPS model as in LD 1 vs. what is included in the Governor's Proposed Current Services Budget for the 2006-2007 Biennium. It does not reflect the impact of IB 2003, Chapter 2, approved by the voters on June 8, 2004, which becomes operative in January of 2005, barring legislative action.
- ² Establishes the Fund for the Efficient Delivery of Educational Services as a dedicated fund within the Department of Education that was approved by the voter's in IB 2003, c. 2. However, this bill differs from IB 2003, c. 2 in that it proposes to phase-in the requirement that 2% of the annual state appropriation for education be dedicated to providing incentive-based resources to those local school units or municipalities that develop sustainable cost savings in the delivery of educational services. It also allows for the funds to be used for transition adjustments in fiscal year 2005-06 only in order to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of the Essential Programs and Services model.
- ³ Appropriations required to fund the Homestead exemption at \$13,000 with 50% reimbursement from the State to the Municipalities.
- ⁴ Revenue loss from eliminating the income threshold for the Maine Residents Property Tax program (Circuit Breaker).
- ⁵ Increases individual income tax revenue as a result of changes in the deductibility of local property taxes.

Other Impacts

This bill establishes a General Fund appropriations limitation and limitations on county and municipal tax assessments. It also changes the authorized uses of the Maine Budget Stabilization Fund, the statutory cap on the balance of the fund

The bill increases the percentage of a loan for learning space upgrades from the School Revolving Renovation Fund that may be forgiven. Increasing the percentage of a loan that may be forgiven may result in less money being available from the Fund for future projects. The impact to the Fund cannot be determined at this time.

Local Government Fund Impact	2005-06	2006-07	2007-08	2008-09
Revenue loss - Circuit Breaker expansion	\$ (910,226)	\$ (925,151)	\$ (1,011,671)	\$ (1,129,410)
Revenue increase - Individual Income Tax	\$ 39,621	\$ 38,402	\$ 39,308	\$ 40,168
Net Change	\$ (870,605)	\$ (886,749)	\$ (972,363)	\$ (1,089,242)

This fiscal estimate is based on the Governor's draft budget proposals as presented on January 7, 2005 and may have to be revised based on final legislative actions.