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COMPETING MEASURE RESOLUTION

First Special Session of the 121st

CHAPTER 1 H.P. 1209 - L.D. 1629

RESOLUTION, Proposing a Competing Measure under the Constitution of Maine To Reduce the Cost of Local Government through Increased State Education Funding and Provide Property Tax Relief

RESOLVED: That, pursuant to the Constitution of Maine, Article IV, Part Third, Section 18, subsection 2, the Legislature intends that the following be submitted to the electors of the State as a competing measure to Initiated Bill 3, Legislative Document 1372 of the 121st Legislature, "An Act To Enact the School Finance and Tax Reform Act of 2003."

PART A

Sec. A-1. 20-A MRSA §15671, sub-§7, ¶B, as enacted by PL 2003, c. 504, Pt. A, §5, is amended to read:

B. The annual targets for the state share percentage are as follows.

- (1) For fiscal year 2005-06, the target is 49%.
- (2) For fiscal year 2006-07, the target is ~~49.25%~~ 50.5%.
- (3) For fiscal year 2007-08, the target is ~~49.50%~~ 52%.
- (4) For fiscal year 2008-09, the target is ~~49.75%~~ 53.5%.
- (5) For fiscal year 2009-10 and succeeding years, the target is ~~50%~~ 55%.

Sec. A-2. 20-A MRSA §15671-A is enacted to read:

§15671-A. Property tax contribution to public education

1. Definitions. For the purposes of this section, unless the context otherwise indicates, the following terms have the following meanings.

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

B. "Local cost share expectation" means the maximum amount of money

needed for the purpose of funding public education from kindergarten to grade 12 that may be derived from property tax.

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

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

B. This paragraph applies to the calculation of the full-value education mill rate. For property tax years beginning on or after April 1, 2005, the commissioner shall calculate the full-value education mill rate that is required to raise the total of the local cost share expectation for funding public education from kindergarten to grade 12. The full-value education mill rate is derived by dividing the applicable tax year percentage of the projected cost of funding public education from kindergarten to grade 12 by the certified total state valuation for the year prior to the most recently certified total state valuation for all municipalities. The full-value education mill rate must decline over the period described in subparagraphs (1) to (5) and may not exceed 10.0 mills. The full-value education mill rate must be applied according to section 15688, subsection 3, paragraph A to determine a municipality's local cost share expectation. Full-value education mill rates must be derived according to the following schedule:

(1) For the 2005 property tax year, the full-value education mill rate is the amount necessary to result in a 51% local share in fiscal year 2005-06;

(2) For the 2006 property tax year, the full-value education mill rate is the amount necessary to result in a 49.5% local share in fiscal year 2006-07;

(3) For the 2007 property tax year, the full-value education mill rate is the amount necessary to result in a 48% local share in fiscal year 2007-08;

(4) For the 2008 property tax year, the full-value education mill rate is the amount necessary to result in a 46.5% local share in fiscal year 2008-

09; and

(5) For the 2009 property tax year and subsequent years, the full-value education mill rate is the amount necessary to result in a 45% local share in fiscal year 2009-10 and subsequent years.

Sec. A-3. 20-A MRSA §15684, sub-§3 is enacted to read:

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

Sec. A-4. 20-A MRSA §15686, as enacted by PL 2003, c. 504, Pt. A, §6, is amended to read:

§15686. Transition adjustment

For each of the fiscal years described in section 15671, subsection 7, the commissioner shall establish a transition adjustment calculated to minimize the adverse fiscal impact directly related to that may be experienced by some municipalities as a result of the phase-in of this Act. The transition adjustment for a municipality must be directly related to the phase-in of essential programs and services and the local cost share expectation method of determining the local contribution to the cost of funding essential programs and services. The amount of this adjustment is established at \$10,000,000 for fiscal year 2005-06 and must decline with each successive fiscal year, ~~and the~~. The adjustments must end no later than fiscal year 2009-10.

Sec. A-5. 20-A MRSA §15688 is enacted to read:

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

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

- A. The school administrative unit's total cost of funding essential programs and services subject to the transition percentages described in section 15671, subsection 7, paragraph A;
- B. The program cost allocation as used in chapter 606; and
- C. The debt service allocation as used in chapter 606.

2. Member municipalities in school administrative districts or community school districts; total costs. For each municipality that is a member of a school

administrative district or community school district, the commissioner shall annually determine each municipality's total cost of education. A municipality's total cost of education is the school administrative district's or community school district's total cost of funding times the percentage that the municipality's most recent calendar year average pupils is to the school administrative district's or community school district's most recent calendar year average pupils.

3. School administrative unit; contribution. For each school administrative unit, the commissioner shall annually determine the school administrative unit's contribution in accordance with the following.

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

- (1) The total cost for each municipality as described in subsection 1 or 2;
or
- (2) The total of the full-value education mill rate derived in section 15671-A, subsection 2 multiplied by the certified state valuation for the year prior to the most recently certified state valuation for each municipality in the school administrative unit.

B. The school administrative unit's state contribution to the total cost of education is the total cost of education calculated pursuant to subsection 1 less the school administrative unit's contribution calculated pursuant to paragraph A.

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

Sec. A-6. Basis for funding costs of education from kindergarten to grade 12. Notwithstanding any other provision of law, beginning in fiscal year 2005-06, funding of the costs of education from kindergarten to grade 12 must be based on the cost of providing essential programs and services as described in the Maine Revised Statutes, Title 20-A, chapter 606-B.

PART B

Sec. B-1. Analysis and report. By January 2, 2010, the Department of Education and the Department of Administrative and Financial Services, Bureau of Revenue Services shall jointly analyze the effectiveness of this resolution in lowering property taxes and in meeting the goals of funding public education. The Department of Education and the Bureau of Revenue Services shall submit a report by January 1, 2010 to the joint standing committee of the Legislature having jurisdiction over taxation matters containing their findings and recommendations. The joint standing committee of the Legislature having jurisdiction over taxation matters may report

out legislation if necessary to the Second Regular Session of the 124th Legislature by March 1, 2010 to accomplish the tax reduction and education funding goals of this resolution.

PART C

Sec. C-1. 36 MRSA §683, sub-§1, as repealed and replaced by PL 2003, c. 20, Pt. BB, §1 and affected by §3, is repealed and the following enacted in its place:

1. Exemption amount. The estate up to the just value of \$7,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation except for assessments for special benefits. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to a homestead is held by the applicant jointly or in common with others, the exemption may not exceed \$7,000 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.

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

Sec. C-3. 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 to read:

A-1. ~~Fifty percent~~ For application periods beginning before August 1, 2004, 50% of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of \$1,000;

Sec. C-4. 36 MRSA §6207, sub-§1, ¶¶B to D are enacted to read:

B. For the application period beginning August 1, 2004, 52.5% of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of \$1,250;

C. For the application period beginning August 1, 2005, 55% of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of \$1,750; and

D. For the application period beginning on or after August 1, 2006, 60% of that portion of the benefit base that exceeds 4% but does not exceed 8% of income

plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of \$2,000.

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

Sec. C-6. 36 MRSA §6207, sub-§2-A is enacted to read:

2-A. Income eligibility. Households are not eligible for a benefit if household income exceeds the following amounts:

A. For application periods beginning before August 1, 2004, \$29,900 for single-member households and \$46,300 for households with 2 or more members;

B. For the application period beginning on August 1, 2004, \$35,000 for single-member households and \$50,000 for households with 2 or more members;

C. For the application period beginning on August 1, 2005, \$40,000 for single-member households and \$60,000 for households with 2 or more members; and

D. For the application periods beginning on or after August 1, 2006, \$50,000 for single-member households and \$75,000 for households with 2 or more members.

Sec. C-7. 36 MRSA §6209, sub-§1, as amended by PL 1989, c. 508, §25, is further amended to read:

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

Sec. C-8. Application. Those portions of this Part that repeal and replace the Maine Revised Statutes, Title 36, section 683, subsection 1 and repeal subsection 1-A apply to property taxes based on the status of property on or after April 1, 2004.

Sec. C-9. Appropriations and allocations. The following appropriations and allocations are made.

**ADMINISTRATIVE AND FINANCIAL
SERVICES, DEPARTMENT OF**

**Homestead Property Tax
Exemption Reimbursement 0886**

Initiative: Appropriates funds to revert the tiered homestead property tax exemption back to a \$7,000 exemption regardless of property value beginning in fiscal year 2004-05.

General Fund	2003-04	2004-05
All Other	\$0	\$4,947,662
	<hr/>	<hr/>
General Fund Total	\$0	\$4,947,662

**Maine Residents Property
Tax Program 0648**

Initiative: Appropriates funds required due to the expansion of the Maine Residents Property Tax Program.

General Fund	2003-04	2004-05
All Other	\$0	\$9,950,000
	<hr/>	<hr/>
General Fund Total	\$0	\$9,950,000

**Revenue Services -
Bureau of 0002**

Initiative: Provides funds for one Tax Examiner position effective June 1, 2005 and other related costs associated with an increase in the number of applications for the Maine Residents Property Tax Program.

General Fund	2003-04	2004-05
Positions - Legislative Count	(0.000)	(1.000)
Personal Services	\$0	\$1,775
All Other	\$0	16,000
	<hr/>	<hr/>
General Fund Total	\$0	\$17,775

**ADMINISTRATIVE AND FINANCIAL
SERVICES, DEPARTMENT OF**

DEPARTMENT TOTALS	2003-04	2004-05
GENERAL FUND	\$0	\$14,915,437
	<hr/>	<hr/>

**DEPARTMENT
TOTAL**

ALL FUNDS

\$0 \$14,915,437

PART D

Sec. D-1. Intent of Legislature; competing measure. It is the intent of the Legislature that this Resolution be interpreted as a competing measure within the meaning of the Constitution of Maine, Article IV, Part Third, Section 18, Subsection 2 with Initiated Bill 3, Legislative Document 1372 of the 121st Legislature, "An Act To Enact the School Finance and Tax Reform Act of 2003." It is the further intent of the Legislature that this measure be subject to referendum as a competing measure with that bill.

Sec. D-2. Statutory referendum procedure; submission at statewide election; form of question; effective date. This Resolution must be submitted to the legal voters of the State of Maine at the next statewide election in the month of November following passage of this Resolution as a competing measure with Initiated Bill 3, Legislative Document 1372 of the 121st Legislature, "An Act To Enact the School Finance and Tax Reform Act of 2003." The municipal officers of this State shall notify the inhabitants of their respective cities, towns and plantations to meet, in the manner prescribed by law for holding a statewide election, to vote on the acceptance or rejection of this Resolution by voting on the following question:

"Do you want to lower property taxes and avoid the need for a significant increase in state taxes by phasing in a 55% state contribution to the cost of public education and by providing expanded property tax relief?"

The legal voters of each city, town and plantation shall vote by ballot on this question and the question established by the Secretary of State for Initiated Bill 3 and shall designate their choice by a cross or check mark placed in the corresponding square next to either the question relating to Initiated Bill 3, the question relating to the competing measure or an option of against both Initiated Bill 3 and the competing measure. The ballots must be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns and, if it appears that a majority of the legal votes are cast in favor of the Resolution, the Governor shall proclaim that fact without delay, and the Resolution takes effect in accordance with the Constitution of Maine, Article IV, Part Third, Section 19.

See title page for effective date.