

# MAINE STATE LEGISLATURE

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1

L.D. 355

2

(Filing No. H- 701 )

3

STATE OF MAINE

4

HOUSE OF REPRESENTATIVES

5

113TH LEGISLATURE

6

SECOND REGULAR SESSION

7

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355,  
8 Bill, "AN ACT to Increase the State's Share of  
9 Education Costs."

10

Amend the bill by striking out all of the title  
11 and inserting in its place the following:

12

'AN ACT to Increase the State Funding  
13 of Educational Costs.'

14

Amend the bill by striking out everything after  
15 the title and inserting in its place the following:

16

'Emergency preamble. Whereas, Acts of the  
17 Legislature do not become effective until 90 days  
18 after adjournment unless enacted as emergencies; and

19

Whereas, inflationary increases and costs  
20 associated with educational reform initiatives have  
21 increased the demand on local resources for public  
22 educational funding; and

23

Whereas, the Legislature has made past efforts to  
24 address the increase in local educational costs but  
25 realizes a continuing obligation for funding public  
26 educational costs; and

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1           Whereas, the School Funding Task Force has  
2 proposed numerous revisions to provide a significant  
3 amount of state subsidy for educational costs; and

4           Whereas, the next fiscal year for school districts  
5 begins July 1, 1988; and

6           Whereas, the effective date of this Act is July 1,  
7 1988; and

8           Whereas, in the judgment of the Legislature, these  
9 facts create an emergency within the meaning of the  
10 Constitution of Maine and require the following  
11 legislation as immediately necessary for the  
12 preservation of the public peace, health and safety;  
13 now, therefore,

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

16           Sec. 1. 20-A MRSA §15602, sub-§1, as amended by  
17 PL 1985, c. 505, §12, is further amended to read:

18           1. Contributions from General Fund. It is the  
19 intent of the Legislature to provide at least 55% of  
20 the cost of the total allocation from General Fund  
21 revenue sources or a percentage no less than that  
22 provided in the year prior to the year of allocation,  
23 whichever is greater.

24           The amount of the teacher recognition grants  
25 authorized in section 13503-A which are paid or deemed  
26 eligible to be paid on August 15, 1986, shall be added  
27 to the actual local operating costs expended by local  
28 units in 1986-87. The minimum amount of the cost of  
29 the total allocation from General Fund revenue sources  
30 for 1988-89 shall be increased by the total amount  
31 expended by the State in 1986-87 for teacher  
32 recognition grants in accordance with section 13503-A  
33 and block grants in accordance with section 13509.  
34 The resulting percentage shall be used to define the  
35 minimum percentage contribution from General Fund  
36 revenue sources in 1988-89 and subsequent years. This  
37 minimum percentage contribution from General Fund

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 revenue sources shall not be less than 58% for 1988-89  
2 and subsequent years.

3 Sec. 2. 20-A MRSA §15602, sub-§3 is enacted to  
4 read:

5 3. Percentage. Effective 1989-90, the percentage  
6 of the State's share of the operating cost allocation  
7 on a statewide basis shall be no less than the  
8 percentage of the State's share of operating costs in  
9 1988-89.

10 Sec. 3. 20-A MRSA §15603, sub-§16, as enacted  
11 by PL 1983, c. 859, Pt. G, §§2 and 4, is amended to  
12 read:

13 16. Local share percentage for operating costs.  
14 "Local share percentage for operating costs" means the  
15 rate computed by dividing the local share of the  
16 operating cost allocation by the maximum operating  
17 cost allocation, expressed as a percentage under  
18 section 15609, subsection 1, paragraph A.

19 Sec. 4. 20-A MRSA §15603, sub-§§16-A to 16-D  
20 are enacted to read:

21 16-A. Local share percentage for program costs.  
22 "Local share percentage for program costs" means the  
23 rate computed by dividing the local share of the  
24 program cost allocation by the maximum program cost  
25 allocation, expressed as a percentage under section  
26 15609, subsection 1, paragraph B.

27 16-B. Local share percentage for debt service  
28 costs. "Local share percentage for debt service costs"  
29 means the rate computed by dividing the local share of  
30 the debt service cost allocation by the maximum debt  
31 service cost allocation, expressed as a percentage  
32 under section 15611, subsection 1, paragraph A.

33 16-C. Local share percentage for foundation  
34 allocation costs. "Local share percentage for  
35 foundation allocation costs" means the rate computed

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 by dividing the sum of the local share of the  
2 operating costs plus the local share of program costs  
3 by the sum of the operating cost allocation plus the  
4 program cost allocation.

5 16-D. Local share percentage for subsidized  
6 educational costs. "Local share percentage for  
7 subsidized educational costs" means the rate computed  
8 by dividing the sum of the local share of the  
9 operating costs plus the local share of program costs  
10 plus the local share of debt service costs by the sum  
11 of the operating cost allocation plus the program cost  
12 allocation plus the debt service cost allocation.

13 **Sec. 5. 20-A MRSA §15603, sub-§25, as enacted**  
14 **by PL 1983, c. 859, Pt. G, §§2 and 4, is amended to**  
15 **read:**

16 25. State share percentage for operating costs.  
17 "State share percentage for operating costs" means the  
18 rate computed by dividing the state share of the  
19 operating costs allocation by the maximum operating  
20 cost allocation, expressed as a percentage, under  
21 section 15609, subsection 1, paragraph A.

22 **Sec. 6. 20-A MRSA §15603, sub-§§25-A to 25-D**  
23 **are enacted to read:**

24 25-A. State share percentage for debt service  
25 costs. "State share percentage for debt service costs"  
26 means the rate computed by dividing the local share of  
27 the debt service cost allocation by the maximum debt  
28 service cost allocation, expressed as a percentage  
29 under section 15611, subsection 2.

30 25-B. State share percentage for foundation  
31 allocation costs. "State share percentage for  
32 foundation allocation costs" means the rate computed  
33 by dividing the sum of the local share of the  
34 operating costs plus the local share of the program  
35 costs by the sum of the operating cost allocation plus  
36 the program cost allocation.

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1       25-C. State share percentage for program costs.  
2       "State share percentage for program costs" means the  
3       rate computed by dividing the local share of the  
4       program cost allocation by the maximum program cost  
5       allocation, expressed as a percentage under section  
6       15609, subsection 1, paragraph B.

7       25-D. State share percentage for subsidized  
8       educational costs. "State share percentage for  
9       subsidized educational costs" means the rate computed  
10      by dividing the sum of local share of the operating  
11      costs plus the local share of program costs plus the  
12      local share of debt service costs by the sum of the  
13      operating cost allocation plus the program cost  
14      allocation plus the debt service cost allocation.

15      Sec. 7. 20-A MRSA §15605, sub-§3, as enacted by  
16      PL 1983, c. 859, Pt. G, §§2 and 4, is repealed and the  
17      following enacted in its place:

18      3. Guidelines for actual local operating and  
19      program costs; updating. The commissioner's  
20      recommendation for actual local operating and program  
21      costs adjusted, exclusive of bus purchase costs, shall  
22      reflect changes in pupil enrollment, economic factors,  
23      actual changes in educational costs and any other  
24      considerations which effect a change in the costs of  
25      education. In any year, the adjustments shall not be  
26      less than the average of the 2 most recent annual  
27      percentages of increase in statewide operating and  
28      program costs of school administrative units.  
29      Notwithstanding this subsection, in the event that  
30      increases in any category within the program costs are  
31      significantly out of proportion to increases in the  
32      other categories, the commissioner may use other  
33      appropriate considerations in determining the  
34      recommended funding level for that category. The  
35      commissioner shall be conscious of the need for  
36      prudent restraint in educational financing.

37      Sec. 8. 20-A MRSA §§15609, as enacted by PL  
38      1983, c. 859, Pt. G, §§2 and 4, is amended to read:

1 \$15609. Computation of maximum local share of the  
2 foundation allocation

3 1. Maximum local share of the foundation  
4 allocation computation. The commissioner shall  
5 compute the local share of the foundation allocation  
6 by adding the following.

7 A. The local share of the allocation for  
8 operating costs shall be the product of the  
9 operating cost millage established under section  
10 15607 and the state valuation of the  
11 municipalities in the administrative units. The  
12 commissioner's computation of the local share of  
13 the allocation for operating costs for each unit  
14 or member municipality within a school  
15 administrative district or community school  
16 district shall not exceed the total operating  
17 allocation of each municipality.

18 (1) The local share percentage of operating  
19 costs shall be the proportion that the local  
20 share of the allocation for operating cost is  
21 to the maximum operating cost allocation. The  
22 state share percentage of operating costs  
23 shall be the proportion that the state share  
24 of the allocation for operating cost is to  
25 the maximum operating cost allocation.

26 B. The local share of the allocation for program  
27 costs shall be the actual local program costs in  
28 the base year adjusted and bus purchase costs in  
29 the year prior to the year of allocation  
30 multiplied by the local share percentage  
31 determined in paragraph A or the program millage  
32 limit established in section 15607 times the state  
33 valuation of the municipalities in the  
34 administrative unit, whichever is less.

35 (1) The program millage limit shall be the  
36 mills derived by dividing 40% of the program  
37 costs adjusted as defined in section 15603,  
38 subsection 5, by the state valuation of all

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 municipalities.

2 (2) The local share percentage of program  
3 costs shall be the proportion that the local  
4 share of the allocation for program cost is  
5 to the maximum program cost allocation. The  
6 state share percentage of program costs shall  
7 be the proportion that the state share of the  
8 allocation for program cost is to the maximum  
9 program cost allocation.

10 C. The local share percentage of foundation costs  
11 shall be the proportion that the local share of  
12 the allocation for foundation cost is to the  
13 maximum foundation cost allocation. The state  
14 share percentage of foundation costs shall be the  
15 proportion that the state share of the allocation  
16 for foundation cost is to the maximum foundation  
17 cost allocation.

18 D. The local share percentage of the total  
19 allocation for education shall be the proportion  
20 that the local share of the total allocation for  
21 education is to the maximum total allocation for  
22 education. The state share percentage of the total  
23 allocation for education shall be the proportion  
24 that the state share of the total allocation for  
25 education is to the maximum total allocation for  
26 education.

27 Sec. 9. 20-A MRSA §15611, as enacted by PL  
28 1983, c. 859, Pt. G, §§2 and 4, is amended to read:

29 §15611. Computation of local and state shares for  
30 debt service

31 1. Local share. The commissioner shall compute  
32 the local share of allocation for debt service for  
33 each unit as follows.

34 A. The local share of allocation for debt service  
35 shall be the product of the debt service  
36 allocation multiplied by the percentage local



COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 share determined in section 15609 or the debt  
2 service millage limit established in section 15607  
3 times the state valuation of the municipalities in  
4 the administrative units, whichever is less.

5 (1) The debt service millage limit shall be  
6 the mills derived by dividing 45% of the debt  
7 service costs as defined in section 15603,  
8 subsection 8, by the state valuation of all  
9 municipalities.

10 (2) The local share percentage of debt  
11 service costs shall be the proportion that  
12 the local share of the allocation for debt  
13 service cost is to the maximum debt service  
14 cost allocation.

15 2. State share. The state share of allocation for  
16 debt service shall be the difference between the local  
17 share of allocation for debt service and the debt  
18 service costs in section 15603, subsection 8. The  
19 state share percentage of debt service costs shall be  
20 the proportion that the state share of the allocation  
21 for debt service cost is to the maximum program cost  
22 allocation.

23 Sec. 10. 20-A MRSA §15613, sub-§§10 and 11, as  
24 enacted by PL 1983, c. 859, Pt. G, §§2 and 4, are  
25 repealed.

26 Sec. 11. 20-A MRSA §15613, sub-§§12 and 13 are  
27 enacted to read:

28 12. Hold harmless to maximize subsidy stability.  
29 Effective in 1989-90, the following shall apply.

30 A. Each school administrative unit shall be  
31 guaranteed a minimum state allocation for  
32 operating costs that is 75% of that unit's state  
33 allocation for operating costs during the previous  
34 year. These funds shall be included as part of  
35 the school unit's total allocation as computed  
36 under this chapter and not as an adjustment to the  
37 unit's total allocation.

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1           B. All school administrative units that have  
2           above average mills raised for education, below  
3           state average income and above average poverty,  
4           shall be held harmless at 90% of that unit's state  
5           allocation for operating costs during the previous  
6           year. These funds shall be included as part of  
7           the school unit's total allocation as computed  
8           under this chapter and not as an adjustment to the  
9           unit's total allocation.

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

22           Sec. 12. Review of school funding. There is  
23           created the Special Commission to Study School Funding  
24           and State Tax Law.

25           1. Membership. The special commission shall  
26           consist of 17 members as follows: Six Legislators  
27           appointed on a bipartisan basis , 2 members of the  
28           Senate appointed by the President of the Senate and 4  
29           members of the House of Representatives appointed by  
30           the Speaker of the House, at least 2 shall be members  
31           of the Joint Standing Committee on Education and at  
32           least 2 shall be members of the Joint Standing  
33           Committee on Taxation; 2 representatives of the  
34           Department of Educational and Cultural Services chosen  
35           by the commissioner of that department; one  
36           representative of the Bureau of Taxation appointed by  
37           the Commissioner of Finance; one representative of the  
38           Governor appointed by the Governor; one member of the  
39           State Board of Education appointed by the state board;  
40           one representative of the Maine School Boards

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 Association appointed by that association; one  
2 representative of the Maine School Superintendents  
3 Association appointed by that association; one  
4 representative of the Maine Teachers Association  
5 appointed by that association; one representative of  
6 the Maine Municipal Association appointed by that  
7 association; 2 public members , one appointed by the  
8 Governor and one appointed jointly by the President of  
9 the Senate and the Speaker of the House. All  
10 appointments to the special commission shall be made  
11 within 45 days of the effective date of this Act and  
12 notice given to the Executive Director of the  
13 Legislative Council and the Governor. One of the  
14 members representing the Department of Educational and  
15 Cultural Services shall serve as chairman and shall be  
16 designated as such at the time of appointment by the  
17 commissioner. The special commission shall select a  
18 vice-chairman from among its other members.

19 2. Duties. The special commission shall conduct  
20 a review and analysis of the School Finance Act of  
21 1985 and related property tax law. The purpose of  
22 that review shall be to:

23 A. Review the history of school funding in Maine  
24 with an analysis of the causes and implications of  
25 changes in the formula over time;

26 B. Review how the school funding formula works,  
27 including achieving equalization of educational  
28 opportunity and taxpayer equity;

29 C. Perform a statistical analysis of how well the  
30 present formula performs and review that analysis  
31 to determine policy implications of various  
32 courses of action to modify the formula;

33 D. Review the trends in statewide property  
34 valuation and tax rates imposed;

35 E. Conduct and analyze the results of a case  
36 study of a carefully selected, representative  
37 group of school units to determine the level of

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 local support for education and to assess the  
2 difficulties encountered at the local level to  
3 raise sufficient funds to support education;

4 F. Determine recommended modifications to the  
5 School Finance Act of 1985 or state tax laws;

6 G. Develop a series of workshops and briefings  
7 primarily for Legislators on the background and  
8 development of the school finance formula, how it  
9 works and policy issues related to recommendations  
10 of the special commission;

11 H. Develop a handbook for Legislators and lay  
12 people to supplement existing materials on how the  
13 school finance formula works;

14 I. Examine other issues determined necessary and  
15 appropriate by the special commission; and

16 J. Report to the Governor and the First Regular  
17 Session of the 114th Legislature by January 15,  
18 1989.

19 3. Staff. The Department of Educational and  
20 Cultural Services and the Legislative Council shall  
21 provide staff assistance to the special commission.  
22 The Bureau of Taxation shall provide special staff  
23 assistance upon request of the special commission.

24 4. Expenses. Legislative members of the special  
25 commission shall be paid legislative per diem. All  
26 members shall be reimbursed for their expenses  
27 reasonably incurred in performing their duties  
28 required by this Act. Departmental expenses and  
29 expenses of executive branch members shall not be paid  
30 from the budget of the special commission.

31 **Sec. 13. Appropriation.** The following funds  
32 are appropriated from the General Fund to carry out  
33 the purposes of this Act.

34 1987-88 1988-89

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 EDUCATIONAL AND CULTURAL  
2 SERVICES, DEPARTMENT OF

3 General Purpose Aid for  
4 Local Schools

5 All Other \$12,841,465

6 Provides funds  
7 for updating base  
8 year operating  
9 and program costs  
10 and for the  
11 minimum 5% state  
12 allocation  
13 provisions of  
14 this Act.

15 General Purpose Aid  
16 for Local Schools

17 All Other \$10,381,197

18 Provides funds  
19 for increasing  
20 the minimum state  
21 share of  
22 educational costs  
23 as provided in  
24 this Act.

25 EDUCATIONAL AND CULTURAL  
26 SERVICES, DEPARTMENT OF  
27 TOTAL

\$23,222,662

28 LEGISLATURE

29 Special Commission on  
30 School Funding

31 Personal Services \$330 \$ 2,310  
32 All Other 650 11,850

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 Provides funds  
2 for the per diem,  
3 travel and  
4 related expenses  
5 of the special  
6 commission.

7	LEGISLATURE		
8	TOTAL	<u>\$980</u>	<u>\$14,160</u>
9			
10	TOTAL APPROPRIATIONS	<u>\$980</u>	<u>\$23,236,822</u>

11 **Emergency clause.** In view of the emergency  
12 cited in the preamble, this Act shall take effect July  
13 1, 1988.

14 FISCAL NOTE

15 Funds for updating base year operating and program  
16 costs and for guaranteeing the minimum 5% state  
17 allocation as provided by this Act are included in the  
18 Governor's Supplemental Budget. If appropriation of  
19 those funds is approved, the appropriation of  
20 \$12,841,465 should be deleted from this bill.

21 The Governor's proposed budget also includes  
22 funding for the hold harmless provision in fiscal year  
23 1988-89. This bill delays implementation of that  
24 provision. Therefore, adjustments should be made to  
25 the appropriation section of this bill depending on  
26 the final enacted version of the Supplemental Budget.'

27 STATEMENT OF FACT

28 The original bill would have increased the State's  
29 share of educational costs to 60% in 1988-89 and to  
30 65% in 1991-92. The objective of that bill was to  
31 alleviate the rapidly increasing burden placed on  
32 local school units by inflation and increases  
33 resulting from implementation of educational reform  
34 measures and the upward spiral of property values in

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 certain areas resulting in less state aid to  
2 communities in those areas.

3 Upon analysis of the original bill, the Joint  
4 Standing Committee on Education determined that just  
5 increasing the state share to 60% and 65% across the  
6 board is not, by itself, the most equitable way of  
7 reducing the local property tax burden. As a result,  
8 this amendment maintains the concept of increasing the  
9 state share to provide a long-range commitment to  
10 reducing local education costs, incorporates other  
11 approaches to reducing the local burden and provides  
12 for a joint legislative-executive branch study of the  
13 school funding formula to address unresolved funding  
14 issues.

15 Section 1 of this amendment provides for  
16 increasing the State's share of educational costs to  
17 58% in fiscal year 1988-89 and subsequent years, and  
18 section 2 provides that the State's percentage share  
19 of operating costs shall be no less than the State's  
20 percentage share of operating costs in 1988-89.

21 Sections 3, 4, 5, 6, 8 and 9 establish a more  
22 accurate and complete method of determining and  
23 reporting the local share percentage and the state  
24 share percentage of a school unit's subsidizable  
25 costs. Presently, only the State's share of a unit's  
26 general operating costs is computed and reported.  
27 This percentage is usually lower than the percentage  
28 state share of program costs and debt service costs.  
29 Reference only to the percentage state share of  
30 general operating costs tends to obscure the fact  
31 that, while a unit may receive little or no state aid  
32 for general operating costs, it may receive aid for  
33 program or debt service costs. This amendment  
34 establishes a method of individually determining and  
35 reporting operating, program and debt service costs  
36 and percentages, as well as overall costs and  
37 percentages.

38 Section 7 revises the process by which the  
39 commissioner updates the base year costs of local  
40 units to determine the current year allocation.

COMMITTEE AMENDMENT "A" to H.P. 272, L.D. 355

1 Except under unusual circumstances, the updating  
2 adjustments shall not be less than the average of the  
3 2 most recent annual percentages of increases in  
4 statewide operating and program costs of local units.

5 Section 11 includes 2 provisions to protect local  
6 units from declining state aid. First, all local  
7 units are guaranteed a minimum state share of 5% of  
8 their educational costs. Second, beginning in  
9 1989-90, all units will be guaranteed at least 75% of  
10 what they received in the previous year for operating  
11 costs. Certain poorer units will be guaranteed at  
12 least 90% of the previous year's allocation. The  
13 funds a unit receives under either the minimum 5% or  
14 the 2 hold harmless guarantees will be included in the  
15 school finance formula as part of the unit's total  
16 allocation, not as an adjustment to the total  
17 allocation.

18 Section 12 establishes the Special Commission to  
19 Study School Funding and State Tax Law, a joint  
20 legislative-executive branch study commission to  
21 continue the review of the school funding formula and  
22 related property tax laws as a necessary continuation  
23 of the work of the School Funding Task Force which  
24 issued its report last fall. The study commission  
25 will review the effectiveness of current law and  
26 analyze various courses of action to further modify  
27 existing law to provide the most equitable educational  
28 opportunity for students and tax equity for property  
29 owners.

30 The amendment also adds an emergency preamble, an  
31 emergency clause, an appropriation section and fiscal  
32 note to the bill.

33

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