

# MAINE STATE LEGISLATURE

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1

L.D. 355

2

(Filing No. S-492 )

3

STATE OF MAINE

4

SENATE

5

113TH LEGISLATURE

6

SECOND REGULAR SESSION

7

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

8

"AN ACT to Increase the State's Share of Education

9

Costs."

10

Amend the bill by striking out all of the title

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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:

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'Emergency preamble. Whereas, Acts of the

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Legislature do not become effective until 90 days

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after adjournment unless enacted as emergencies; and

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Whereas, inflationary increases and costs

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associated with educational reform initiatives have

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increased the demand on local resources for public

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educational funding; and

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Whereas, the Legislature has made past efforts to

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address the increase in local educational costs but

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realizes a continuing obligation for funding public

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educational costs; and

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Whereas, the School Funding Task Force has

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1 proposed numerous revisions to provide a significant  
2 amount of state subsidy for educational costs; and

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

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

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

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

15       Sec. 1. 20-A MRSA §15602, sub-§3 is enacted to  
16 read:

17       3. Percentage. Effective 1989-90, the percentage  
18 of the State's share of the operating cost allocation  
19 on a statewide basis shall be no less than the  
20 percentage of the State's share of operating costs in  
21 1988-89.

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

25       16. Local share percentage for operating costs.  
26 "Local share percentage for operating costs" means the  
27 rate computed by dividing the local share of the  
28 operating cost allocation by the maximum operating  
29 cost allocation, expressed as a percentage under  
30 section 15609, subsection 1, paragraph A.

31       Sec. 3. 20-A MRSA §15603, sub-§§16-A to 16-D  
32 are enacted to read:

33       16-A. Local share percentage for program costs.  
34 "Local share percentage for program costs" means the  
35 rate computed by dividing the local share of the  
36 program cost allocation by the maximum program cost

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1 allocation, expressed as a percentage under section  
2 15609, subsection 1, paragraph B.

3 16-B. Local share percentage for debt service  
4 costs. "Local share percentage for debt service costs"  
5 means the rate computed by dividing the local share of  
6 the debt service cost allocation by the maximum debt  
7 service cost allocation, expressed as a percentage  
8 under section 15611, subsection 1, paragraph A.

9 16-C. Local share percentage for foundation  
10 allocation costs. "Local share percentage for  
11 foundation allocation costs" means the rate computed  
12 by dividing the sum of the local share of the  
13 operating costs plus the local share of program costs  
14 by the sum of the operating cost allocation plus the  
15 program cost allocation.

16 16-D. Local share percentage for subsidized  
17 educational costs. "Local share percentage for  
18 subsidized educational costs" means the rate computed  
19 by dividing the sum of the local share of the  
20 operating costs plus the local share of program costs  
21 plus the local share of debt service costs by the sum  
22 of the operating cost allocation plus the program cost  
23 allocation plus the debt service cost allocation.

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

27 25. State share percentage for operating costs.  
28 "State share percentage for operating costs" means the  
29 rate computed by dividing the state share of the  
30 operating costs allocation by the maximum operating  
31 cost allocation, expressed as a percentage, under  
32 section 15609, subsection 1, paragraph A.

33 Sec. 5. 20-A MRSA §15603, sub-§§25-A to 25-D  
34 are enacted to read:

35 25-A. State share percentage for debt service  
36 costs. "State share percentage for debt service costs"  
37 means the rate computed by dividing the local share of  
38 the debt service cost allocation by the maximum debt  
39 service cost allocation, expressed as a percentage

1 under section 15611, subsection 2.

2 25-B. State share percentage for foundation  
3 allocation costs. "State share percentage for  
4 foundation allocation costs" means the rate computed  
5 by dividing the sum of the local share of the  
6 operating costs plus the local share of the program  
7 costs by the sum of the operating cost allocation plus  
8 the program cost allocation.

9 25-C. State share percentage for program costs.  
10 "State share percentage for program costs" means the  
11 rate computed by dividing the local share of the  
12 program cost allocation by the maximum program cost  
13 allocation, expressed as a percentage under section  
14 15609, subsection 1, paragraph B.

15 25-D. State share percentage for subsidized  
16 educational costs. "State share percentage for  
17 subsidized educational costs" means the rate computed  
18 by dividing the sum of local share of the operating  
19 costs plus the local share of program costs plus the  
20 local share of debt service costs by the sum of the  
21 operating cost allocation plus the program cost  
22 allocation plus the debt service cost allocation.

23 Sec. 6. 20-A MRSA §15605, sub-§3, as enacted by  
24 PL 1983, c. 859, Pt. G, §§2 and 4, is repealed and the  
25 following enacted in its place:

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

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1 recommended funding level for that category. The  
2 commissioner shall be conscious of the need for  
3 prudent restraint in educational financing.

4 Sec. 7. 20-A MRSA §15609, as enacted by PL  
5 1983, c. 859, Pt. G, §§2 and 4, is amended to read:

6 §15609. Computation of maximum local share of the  
7 foundation allocation

8 1. Maximum local share of the foundation  
9 allocation computation. The commissioner shall  
10 compute the local share of the foundation allocation  
11 by adding the following.

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

23 (1) The local share percentage of operating  
24 costs shall be the proportion that the local  
25 share of the allocation for operating cost is  
26 to the maximum operating cost allocation. The  
27 state share percentage of operating costs  
28 shall be the proportion that the state share  
29 of the allocation for operating cost is to  
30 the maximum operating cost allocation.

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

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1 (1) The program millage limit shall be the  
2 mills derived by dividing 40% of the program  
3 costs adjusted as defined in section 15603,  
4 subsection 5, by the state valuation of all  
5 municipalities.

6 (2) The local share percentage of program  
7 costs shall be the proportion that the local  
8 share of the allocation for program cost is  
9 to the maximum program cost allocation. The  
10 state share percentage of program costs shall  
11 be the proportion that the state share of the  
12 allocation for program cost is to the maximum  
13 program cost allocation.

14 C. The local share percentage of foundation costs  
15 shall be the proportion that the local share of  
16 the allocation for foundation cost is to the  
17 maximum foundation cost allocation. The state  
18 share percentage of foundation costs shall be the  
19 proportion that the state share of the allocation  
20 for foundation cost is to the maximum foundation  
21 cost allocation.

22 D. The local share percentage of the total  
23 allocation for education shall be the proportion  
24 that the local share of the total allocation for  
25 education is to the maximum total allocation for  
26 education. The state share percentage of the total  
27 allocation for education shall be the proportion  
28 that the state share of the total allocation for  
29 education is to the maximum total allocation for  
30 education.

31 Sec. 8. 20-A MRSA §15611, as enacted by PL  
32 1983, c. 859, Pt. G, §§2 and 4, is amended to read:

33 §15611. Computation of local and state shares for  
34 debt service

35 1. Local share. The commissioner shall compute  
36 the local share of allocation for debt service for  
37 each unit as follows.

38 A. The local share of allocation for debt service  
39 shall be the product of the debt service

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

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

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

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

24 Sec. 9. 20-A MRSA §15613, sub-§§10 and 11, as  
25 enacted by PL 1983, c. 859, Pt. G, §2 and 4, are  
26 repealed.

27 Sec. 10. 20-A MRSA §15613, sub-§§12 and 13 are  
28 enacted to read:

29 12. Hold harmless to maximize subsidy stability.  
30 Effective in 1988-89, each school administrative unit  
31 shall be guaranteed a minimum state allocation for  
32 operating costs that is 90% of that unit's state  
33 allocation for operating costs during the previous  
34 year. These funds shall be included as part of the  
35 school unit's total allocation as computed under this  
36 chapter and not as an adjustment to the unit's total  
37 allocation.

38 13. Minimum state allocation. Effective 1988-89,  
39 each school administrative unit shall be guaranteed a



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1 minimum state share of its total allocation that is  
2 determined by multiplying 5% of the foundation per  
3 pupil operating rate by the average number of resident  
4 kindergarten to grade 12 pupils, including special  
5 education tuition pupils, in the unit on April 1st and  
6 October 1st of the calendar year immediately prior to  
7 the year of allocation. These funds shall be included  
8 as part of the school unit's total allocation as  
9 computed under this chapter and not as an adjustment  
10 to the unit's total allocation.

11       Sec. 11. Review of school funding. There is  
12 created the Special Commission to Study School Funding  
13 and State Tax Law.

14       1. Membership. The special commission shall  
15 consist of 17 members as follows: Six Legislators  
16 appointed on a bipartisan basis, 2 members of the  
17 Senate appointed by the President of the Senate and 4  
18 members of the House of Representatives appointed by  
19 the Speaker of the House, at least 2 shall be members  
20 of the Joint Standing Committee on Education and at  
21 least 2 shall be members of the Joint Standing  
22 Committee on Taxation; 2 representatives of the  
23 Department of Educational and Cultural Services chosen  
24 by the commissioner of that department; one  
25 representative of the Bureau of Taxation appointed by  
26 the Commissioner of Finance; one representative of the  
27 Governor appointed by the Governor; one member of the  
28 State Board of Education appointed by the state board;  
29 one representative of the Maine School Boards  
30 Association appointed by that association; one  
31 representative of the Maine School Superintendents  
32 Association appointed by that association; one  
33 representative of the Maine Teachers Association  
34 appointed by that association; one representative of  
35 the Maine Municipal Association appointed by that  
36 association; 2 public members, one appointed by the  
37 Governor and one appointed jointly by the President of  
38 the Senate and the Speaker of the House. All  
39 appointments to the special commission shall be made  
40 within 45 days of the effective date of this Act and  
41 notice given to the Executive Director of the  
42 Legislative Council and the Governor. One of the  
43 legislative members shall be designated by the Speaker  
44 of the House and the President of the Senate to chair

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1 the commission. One of the members representing the  
2 Department of Educational and Cultural Services shall  
3 serve as one cochairman and shall be designated as  
4 such at the time of appointment by the commissioner.  
5 The special commission shall select a 2nd cochairman  
6 from among the 2 public members.

7 2. Duties. The special commission shall conduct  
8 a review and analysis of the School Finance Act of  
9 1985 and related property tax law. The purpose of  
10 that review shall be to:

11 A. Review the history of school funding in Maine  
12 with an analysis of the causes and implications of  
13 changes in the formula over time;

14 B. Review how the school funding formula works,  
15 including achieving equalization of educational  
16 opportunity and taxpayer equity;

17 C. Perform a statistical analysis of how well the  
18 present formula performs and review that analysis  
19 to determine policy implications of various  
20 courses of action to modify the formula;

21 D. Review the trends in statewide property  
22 valuation and tax rates imposed;

23 E. Conduct and analyze the results of a case  
24 study of a carefully selected, representative  
25 group of school units to determine the level of  
26 local support for education and to assess the  
27 difficulties encountered at the local level to  
28 raise sufficient funds to support education;

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

31 G. Develop a series of workshops and briefings  
32 primarily for Legislators on the background and  
33 development of the school finance formula, how it  
34 works and policy issues related to recommendations  
35 of the special commission;

36 H. Develop a handbook for Legislators and lay  
37 people to supplement existing materials on how the  
38 school finance formula works;

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1 I. Examine other issues determined necessary and  
2 appropriate by the special commission; and

3 J. Complete the study by December 6, 1988, and  
4 report to the Governor and the First Regular  
5 Session of the 114th Legislature.

6 3. Staff. The Department of Educational and  
7 Cultural Services and the Legislative Council shall  
8 provide staff assistance to the special commission.  
9 The Bureau of Taxation shall provide special staff  
10 assistance upon request of the special commission.

11 4. Expenses. Legislative members of the special  
12 commission shall be paid legislative per diem. All  
13 members shall be reimbursed for their expenses  
14 reasonably incurred in performing their duties  
15 required by this Act. Departmental expenses and  
16 expenses of executive branch members shall not be paid  
17 from the budget of the special commission.

18 Sec. 12. Appropriation. The following funds  
19 are appropriated from the General Fund to carry out  
20 the purposes of this Act.

21	<u>1987-88</u>	<u>1988-89</u>
22 <u>LEGISLATURE</u>		
23 Special Commission to Study		
24 School Funding and State		
25 Tax Law		
26 Personal Services	\$330	\$ 2,310
27 All Other	650	11,850
28		
29 Total	<u>\$980</u>	<u>\$14,160</u>

30 Provides funds for the  
31 per diem, travel and  
32 related expenses of  
33 the special commission.

34 Emergency clause. In view of the emergency  
35 cited in the preamble, this Act shall take effect July  
36 1, 1988.

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FISCAL NOTE

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The amount of \$13,218,640 for updating base year operating and program costs, for guaranteeing the minimum 5% state allocation and for the hold harmless provision as provided by this Act are included in the Supplemental Budget.'

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STATEMENT OF FACT

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Section 1 of the amendment provides for maintaining the state share of operating costs at a level no less than the State's share of operating costs in 1988-89.

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Sections 2, 3, 4, 5, 6, 8 and 9 establish a more accurate and complete method of determining and reporting the local share percentage and the state share percentage of a school unit's subsidizable costs. Presently, only the State's share of a unit's general operating costs is computed and reported. This percentage is usually lower than the percentage state share of program costs and debt service costs. Reference only to the percentage state share of general operating costs tends to obscure the fact that, while a unit may receive little or no state aid for general operating costs, it may receive aid for program or debt service costs. This amendment establishes a method of individually determining and reporting operating, program and debt service costs and percentages, as well as overall costs and percentages.

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Section 7 revises the process by which the commissioner updates the base year costs of local units to determine the current year allocation. Except under unusual circumstances, the updating adjustments shall not be less than the average of the 2 most recent annual percentages of increases in statewide operating and program costs of local units.

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Section 10 includes 2 provisions to protect local units from declining state aid. First, all local units are guaranteed a minimum state share of 5% of

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1 their educational costs. Second, all units will be  
2 guaranteed at least 90% of what they received in the  
3 previous year for operating costs. The funds a unit  
4 receives under either the minimum 5% or the 2 hold  
5 harmless guarantees will be included in the school  
6 finance formula as part of the unit's total  
7 allocation, not as an adjustment to the total  
8 allocation.

9 Section 11 establishes the Special Commission to  
10 Study School Funding and State Tax Law, a joint  
11 legislative-executive branch study commission to  
12 continue the review of the school funding formula and  
13 related property tax laws as a necessary continuation  
14 of the work of the School Funding Task Force which  
15 issued its report last fall. The study commission  
16 will review the effectiveness of current law and  
17 analyze various courses of action to modify further  
18 existing law to provide the most equitable educational  
19 opportunity for students and tax equity for property  
20 owners.

21 The amendment also adds an emergency preamble, an  
22 emergency clause, an appropriation section and fiscal  
23 note to the bill.

24

5652041888

25 (Sen. ESTES)

26 SPONSORED BY:

Stephen C. Estes

27

COUNTY: York

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