

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 803

H.P. 560

House of Representatives, February 25, 1991

Reference to the Committee on Education suggested and ordered printed.

EDWIN H. PERT, Clerk

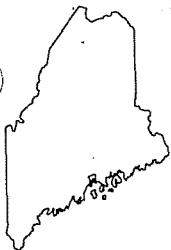
Presented by Representative HEINO of Boothbay.

Cosponsored by Representative KERR of Old Orchard Beach, Senator BRAWN of Knox and Representative ANTHONY of South Portland.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

An Act to Amend the Laws Relating to Funding of Education.



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

4 Sec. 1. 20-A MRSA §15603, sub-§26-A is enacted to read:

6 26-A. State valuation. "State valuation" means the local
8 assessed valuation of a municipality adjusted by the Bureau of
10 Taxation to reflect fair market value of the property in the
12 municipality and further adjusted as required in section 15608-A.

14 Sec. 2. 20-A MRSA §§15604-A and 15608-A are enacted to read:

16 **§15604-A. Notification of state valuation**

18 Prior to December 1st of each year, the commissioner shall
20 report to the Legislature and the Bureau of the Budget:

22 1. Local assessed valuation. The local assessed valuation
24 of each municipality in the school administrative unit;

26 2. Adjustment factor. The factor used by the Bureau of
28 Taxation to adjust the local assessed valuation of each
30 municipality to reflect fair market value;

32 3. Other factors. The factors used by the department to
34 adjust further the local assessed valuation as required in
36 section 15608-A; and

38 4. State valuation. The state valuation of each
40 municipality in the school administrative unit and the aggregate
42 state valuation of all municipalities.

44 **§15608-A. Computation of state valuation**

46 After the Department of Finance, Bureau of Taxation adjusts
48 the local assessed valuation of each municipality within the
50 school administrative unit to reflect fair market value, for
52 purposes of the calculation in section 15609, the department
shall adjust the local assessed valuation by multiplying the
valuation by a ratio, the numerator of which is the per capita
income of the municipality or municipalities that the unit serves
and the denominator of which is the statewide average per capita
income. The department shall adjust further the local assessed
valuation by multiplying the valuation by a ratio, the numerator
of which is the statewide average cost of living and the
denominator of which is the average cost of living in the
municipality or municipalities that the unit serves. For
purposes of this section, in accordance with rules adopted
pursuant to the Maine Administrative Procedure Act, cost of
living must be measured by the Department of Education using an
index that includes housing costs and other standard and
appropriate cost-of-living measures used by the State Government
or Federal Government.

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STATEMENT OF FACT

This bill amends the education funding formula to require that the personal income and cost of living within a school administrative unit be taken into consideration in determining the ability of the unit to fund education. The current formula measures a unit's ability to pay for education only on the basis of its property value. Higher valuation communities are assumed to have a greater ability to fund education and therefore receive less state education funding.

In determining the state valuation of a municipality, the Department of Finance, Bureau of Taxation currently takes the municipality's assessed valuation and adjusts it to account for differences in local assessment practices. This bill adds 2 further adjustments to the property value of each unit. Under the first adjustment, the assessed value would be multiplied by a ratio comparing the per capita income of the municipality or municipalities that the unit serves with the state average per capita income. Under the second adjustment, the assessed value, modified by the income ratio, would be further multiplied by a ratio comparing the cost of living in the municipality or municipalities that the unit serves with the state average cost of living.

The adjustments would lower the state valuation of units serving municipalities with below-average income or costs of living that are higher than average to reflect the municipalities' lesser ability to pay. The lower state valuation results in greater state education funding. The lower state valuation is used in the funding formula only and is not used by local officials to determine an individual's property taxes.

The bill also requires the Department of Education to report annually to the Legislature the numbers used in adjusting valuation.