

MAINE STATE LEGISLATURE

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L.D. 902

DATE: June 29, 1995

(Filing No. S- 367)

EDUCATION AND CULTURAL AFFAIRS

Reported by: The Minority of the Committee.

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**STATE OF MAINE
SENATE
117TH LEGISLATURE
FIRST REGULAR SESSION**

COMMITTEE AMENDMENT " A " to S.P. 321, L.D. 902, Bill, "An Act to Implement Recommendations of the Committee to Study Organizational and Tax Issues in Public Schools"

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. 20-A MRSA §15602, sub-§10 is enacted to read:

10. Transportation operating adjustment in fiscal year 1995-96. In fiscal year 1995-96, the reduction percentage specified in section 15603, subsection 26-A, paragraph F does not apply to transportation operating costs.

Sec. A-2. Basic elementary and secondary per pupil operating rate. The basic elementary per pupil operating rate for 1995-96 is \$2,797 and the basic secondary per pupil operating rate for 1995-96 is \$3,763. The per pupil guarantee described in the Maine Revised Statutes, Title 20-A, section 15652, subsection 5 for 1995-96 is \$3,400.

Sec. A-3. Basic education allocation. The basic allocation of state and local funds for 1995-96 for the purposes listed in this section is as follows.

1995-96

EDUCATION, DEPARTMENT OF

BASIC EDUCATION ALLOCATIONS

Operating Costs

Elementary and Secondary	
Operating Costs, based on per	
pupil guarantee as specified	
in section 15652, subsection 5	729,531,200
Less Public Law 81-874, Federal	
Impact Funds	-0-

Operating Costs

Total	729,531,200
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Program Costs

Early Childhood	338,292
Special Education, Local	106,574,766
Special Education, Tuition	
and Board	11,270,559
Vocational Education	22,574,098
Transportation Operating	56,287,476
Bus Purchases	4,500,000

Program Costs

Total	201,545,191
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Less percentage reduction, pursuant	
to the Maine Revised Statutes,	
Title 20-A, section 15603,	
subsection 26-A, paragraph F	(28,034,739)

Adjusted Program Costs

Total	173,510,452
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Debt Service Costs

Principal and Interest	64,051,493
Approved Leases	5,143,906
Insured Value Factor	1,994,388

Debt Service Costs

Total	71,189,787
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Less percentage reduction of insured	
value factor pursuant to the Maine	
Revised Statutes, Title 20-A,	
section 15603, subsection 26-A,	
paragraph F	(384,997)

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2	Adjusted Debt Service Costs	
	Total	<u>70,804,790</u>
4	Combined Allocations	973,846,442
6	Minimum State Allocation	900,000
8	BASIC EDUCATION ALLOCATION	
	TOTAL	<u>\$974,746,442</u>
10		
12	Sec. A-4. Subsidy indexes; income weight; statewide adjustment factor. The following mill rates are established: operating cost millage - 6.06 mills; program millage limit - 1.24 mills; and debt service millage 0.49 mills. The income weight in section 15652 is .15. The statewide adjustment factor as described in section 15654, subsection 1, paragraph B is .52678.	
14		
16		
18	Sec. A-5. Appropriation. The appropriation provided for General Purpose Aid for Local Schools for the fiscal year beginning July 1, 1995 and ending June 30, 1996 is calculated as follows.	
20		
22		
24		
	1995-96	
26	STATE ALLOCATION	
	TOTAL	\$510,373,543
28	ADJUSTMENTS AND MISCELLANEOUS COSTS	
30		
32	Cost of Geographic Isolation Adjustments	\$250,000
34	Cost of Quality Incentive Adjustments	-0-
36	Audit Adjustments	-0-
38	Cost of Reimbursement for Private School Services	201,000
40	Special Education Hardship Grants	-0-
42	Special Education Tuition and Board for State Wards and Other Pupils Placed Directly by the State	8,760,605
44	State Agency Clients	10,962,748
46	Out-of-District Placements	1,474,000
48		
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2	Long-term Drug Treatment Centers	126,500
4	Fiscal Year 1995-96 "Cushion"	2,000,000
6	TOTAL ADJUSTMENTS	<hr/> 23,774,853
8	RECOMMENDED FUNDING LEVEL	
	TOTAL	<hr/> 534,148,396
10		
12	Estimated Construction Audit Recoveries	-0-
14	APPROPRIATION FOR FISCAL	
	YEAR 1995-96	
	TOTAL	<hr/> \$534,148,396

16 **Sec. A-6. Limit of State's obligation.** If the State's continued
18 obligation for any individual program contained in sections 3 and
20 5 exceeds the level of funding provided for that program, any
22 unexpended balances occurring in other programs may be applied to
avoid proration of payments for any individual program. Any
unexpended balances from sections 3 and 5 may not lapse but must
be carried forward for the same purpose.

24 **Sec. A-7. Appropriation.** Nothing in sections 2 to 6 may be
26 construed to require the State to provide payments that exceed
the appropriation of funds for General Purpose Aid for Local
28 Schools for the fiscal year beginning July 1, 1995 and ending
June 30, 1996.

30 **Sec. A-8. Hardship cushion.** The commissioner shall establish
32 a hardship cushion for fiscal year 1995-96. A school
administrative unit must meet the following criteria to be
34 eligible for the hardship cushion.

36 **1. State share; foundation allocation.** The fiscal year
38 1995-96 state share of the foundation allocation for a school
administrative unit as defined in the Maine Revised Statutes,
Title 20-A, section 15603, subsection 12 plus the minimum state
40 allocation as described in Title 20-A, section 15613, subsection
13 and excluding the state subsidy for bus purchases
42 is less than the corresponding amount for fiscal year 1994-95
plus or minus the hardship cushion for fiscal year 1994-95.

44 **2. Mill increase.** The school administrative unit must
46 raise 7.30 mills or over excluding debt service in fiscal year
1994-95.

48

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3. **Loss calculation.** The loss calculated in subsection 1 must exceed 2.453% of the school administrative unit's fiscal year 1994-95 budget excluding debt service and buses.

PART B

Sec. B-1. 20-A MRSA §15603, sub-§11-A, as enacted by PL 1993, c. 410, Pt. F, §13, is amended to read:

11-A. Fiscal capacity. "Fiscal capacity" means the ability of a municipality to raise property tax revenues. For each year of funding, fiscal capacity is measured as the average of the state valuation amounts for the 2 most recent years prior to the year of funding. For fiscal year 1993-94 and, fiscal year 1994-95 and fiscal year 1996-97 only, if the most recent state valuation amount is less than the average of the 2 most recent state valuation amounts, the fiscal capacity of the municipality is considered to be the state valuation for the most recent year. The fiscal capacity of a school administrative district or a community school district is the sum of the fiscal capacity amounts of its member municipalities.

Sec. B-2. 20-A MRSA §15603, sub-§26-A, ¶F, as enacted by PL 1993, c. 410, Pt. F, §15, is amended to read:

F. If, for any fiscal year, the total amount appropriated for the State's share of the total allocation is less than the amount specified in the certified funding level for that year, then all subsidizable costs except as noted in subparagraphs (1) and (2) are reduced by a percentage of the original cost amounts. The reduction percentage is the smallest percentage that results in a state share of the total allocation that does not exceed the amount appropriated for this purpose. The following subsidizable costs may not be reduced:

(1) Principal and interest on approved school construction costs; and

(2) Approved lease costs;

(3) For fiscal year 1995-96 only, transportation operating costs as defined in subsection 29; and

(4) For fiscal year 1996-97, the program costs as specified in section 15608.

Sec. B-3. 20-A MRSA §15610, sub-§1, ¶C, as amended by PL 1989, c. 875, Pt. E, §29, is further amended to read:

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2 C. The state share of the foundation allocation for each
administrative unit is limited to the same proportion of the
4 maximum allocation as the local administrative unit raises
of its maximum local share of the foundation allocation.
6 For the purpose of this subsection only and for fiscal year
1990-91 only, the required local share must be reduced by
8 the same percentage as the percentage reduction in the state
subsidy specified in section 15602, subsection 4. For fiscal
10 year 1995-96 only, the provisions of this paragraph do not
12 apply for any school administrative unit that had approved
its 1995-96 budget prior to notification by the commissioner
of the unit's maximum local share of the foundation
allocation.

14
16 Sec. B-4. 20-A MRSA c. 606-A is enacted to read:

18 CHAPTER 606-A

20 SCHOOL FINANCE ACT OF 1995

22 §15651. Short title

24 This chapter is known and may be cited as the "School
Finance Act of 1995."

26 §15652. Definitions

28 1. Elementary grades. "Elementary grades" means
30 kindergarten to grade 8 and includes children enrolled in early
kindergarten programs and 4-year-old children enrolled in a
2-year childhood education program prior to grade one.

32 2. Income weight. "Income weight" means a value between
34 zero and one that is used to adjust a municipality's ratio of
local median household income to the statewide median household
36 income. The income weight plus the property weight, as defined
in subsection 7, must equal one.

38 3. Municipality. "Municipality" means a city, town or
40 organized plantation.

42 4. Normalized regional cost adjustment. "Normalized
44 regional cost adjustment" means a factor that is used to adjust a
median household income value up or down to reflect variations in
46 regional costs. The statewide normalized regional cost
adjustment is one.

48 5. Per pupil guarantee. "Per pupil guarantee" means the
50 total amount of funds that is made available for each
subsidizable pupil.

2 **6. Property fiscal capacity.** "Property fiscal capacity"
3 means the lesser of the average of the state valuation amounts
4 for the 2 most recent years prior to the year of funding or the
5 state valuation amount for the most recent year.

6
7 **7. Property weight.** "Property weight" means a value
8 between zero and one that is used to adjust a municipality's
9 ratio of local per pupil property fiscal capacity to the
10 statewide per pupil property fiscal capacity. The income weight,
11 defined in subsection 2, plus the property weight must equal one.

12
13 **8. School administrative unit local contribution to the per**
14 **pupil guarantee.** "School administrative unit local contribution
15 to the per pupil guarantee" means the funds that a school
16 administrative unit provides for each subsidizable pupil who
17 resides in that unit.

18
19 **9. School administrative unit state contribution to the per**
20 **pupil guarantee.** "School administrative unit state contribution
21 to the per pupil guarantee" means the funds that the State
22 provides to a school administrative unit for each subsidizable
23 pupil who resides in that unit.

24
25 **10. Secondary grades.** "Secondary grades" means grades 9 to
26 12.

27 **11. Subsidizable pupils.** "Subsidizable pupils" means all
28 kindergarten to grade 12 pupils who reside in a school
29 administrative unit and who are educated at public expense.

30
31 **12. Year.** "Year" means a fiscal year starting July 1st and
32 ending June 30th of the succeeding year.

33
34 **13. Year of funding.** "Year of funding" means the fiscal
35 year during which state subsidies are disbursed to school
36 administrative units, except as specified in section 15005,
37 subsection 1.

38
39 **§15653. Per pupil guarantee; statewide features**

40
41 **1. Per pupil guarantee.** Beginning in fiscal year 1997-98,
42 the Legislature shall annually establish a per pupil guarantee.
43 For fiscal year 1995-96 the per pupil guarantee is \$3,400. For
44 fiscal year 1996-97 the per pupil guarantee is \$3,536.

45
46 **2. Contribution to per pupil guarantee.** The Legislature
47 and each school administrative unit are jointly responsible for
48 contributing to the per pupil guarantee. For each school
49 administrative unit, the per pupil guarantee is the sum of the
50

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school administrative unit local contribution to the per pupil guarantee and the school administrative unit state contribution to the per pupil guarantee.

3. Legislature's contribution. The commissioner's recommendation for an appropriation for the Legislature's contribution to the per pupil guarantee for all subsidizable pupils in all school administrative units must be at least the amount of the corresponding appropriation for the prior fiscal year, unless a lesser amount is necessary to ensure compliance with section 15607, subsection 1. The appropriation may not exceed 105% of the corresponding appropriation for the prior fiscal year.

4. Statewide local share. The statewide local share amount of the operating costs' allocation is based on the sum of the amounts determined by multiplying for each unit 6.06 mills times the units' property fiscal capacity.

§15654. School administrative unit state and local contributions to the per pupil guarantee

1. Unit's local share percentage. For each school administrative unit, the commissioner shall annually determine the unit's local share percentage of the per pupil guarantee. Except as described in subsection 2, the local share percentage of the per pupil guarantee is the product of the amounts in paragraphs A and B:

A. The school administrative unit's weighted relative fiscal capacity, as defined in section 15657; and

B. A statewide adjustment factor to be established annually by the commissioner.

2. Special cases. Special cases for the local share percentage of the per pupil guarantee are as follows.

A. The local share percentage for a school administrative district or a community school district is calculated as a weighted average of the local share percentages of each member municipality, as if each member municipality were a separate school administrative unit. The weight for each municipality is the proportion of the district's subsidizable students who reside in the municipality.

B. The local share percentage for a school administrative unit or a municipality in a school administrative district or a community school district may not exceed 100%. If the local share percentage calculation is performed for a

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2 municipality in accordance with paragraph A, then the local
3 share percentage for the municipality may not exceed 100%.

4 **3. School administrative unit; contribution.** For each
5 school administrative unit, the commissioner shall annually
6 determine the following.

8 A. The school administrative unit local contribution to the
9 per pupil guarantee is the product of the per pupil
10 guarantee and the school administrative unit's local share
11 percentage of the per pupil guarantee.

12 B. The school administrative unit state contribution to the
13 per pupil guarantee is the per pupil guarantee less the
14 school administrative unit local contribution to the per
15 pupil guarantee.

16
17 **§15655. Allocation for per pupil guarantee**

18
19 **1. School administrative unit; allocation; local share;**
20 **state share.** For each school administrative unit, the
21 commissioner shall annually determine the following.

22
23 A. The school administrative unit's total allocation for
24 the per pupil guarantee is the product determined by
25 multiplying the per pupil guarantee by the number of
26 subsidizable pupils in the unit.

27 B. The school administrative unit's local share of the
28 allocation for the per pupil guarantee is the product
29 determined by multiplying the school administrative unit
30 local contribution to the per pupil guarantee and the number
31 of subsidizable pupils in the unit.

32 C. Except as described in paragraph D, the school
33 administrative unit's state share of the allocation for the
34 per pupil guarantee is the amount in paragraph A less the
35 amount in paragraph B.

36 D. If a school administrative unit chooses to raise less
37 than 100% of its local share of the allocation for the per
38 pupil guarantee, then the State shall contribute the same
39 percentage of the state share as the reduced local share, as
40 computed by the commissioner.

41 **2. Statewide allocation; local share; state share.** The
42 commissioner shall annually determine the following.

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A. The statewide total allocation for the per pupil guarantee is the sum of the total allocation for the per pupil guarantee for all school administrative units.

B. The statewide local share of the allocation for the per pupil guarantee is the sum of the local share allocation for the per pupil guarantee for all school administrative units.

C. The statewide state share of the allocation for the per pupil guarantee is the sum of the state share allocation for the per pupil guarantee for all school administrative units.

§15656. Pupil counts

For each school administrative unit, the number of subsidizable pupils is the average number of subsidizable students in that school administrative unit on April 1st and October 1st of the most recent calendar year prior to the year of funding.

§15657. Weighted relative property fiscal capacity

For each school administrative unit, the commissioner shall annually determine the unit's weighted relative fiscal capacity. This determination is the result of the following steps.

1. **Property fiscal capacity.** The local per pupil property fiscal capacity divided by the statewide per pupil property fiscal capacity as computed by the commissioner is multiplied by a property weight of 0.85.

2. **Local median household income.** The most recent local median household income is divided by the statewide average median household income. That amount is divided by the normalized regional cost adjustment as defined in section 15652, subsection 4. The final result is multiplied by an income weight of 0.15. The department shall use local median household income data, updated annually from the Federal Decennial Census. The department shall contract for the acquisition of annual normalized regional cost adjustment data, based on the National Chamber of Commerce model. In fiscal year 1995-96 the normalized regional cost adjustment may not be used in subsidy calculations.

3. **Weighted relative property fiscal capacity.** The results of subsection 1 and subsection 2 are added and the sum represents the weighted relative property fiscal capacity.

§15658. Relationship to the School Finance Act of 1985

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2 The provisions of chapter 606 apply except as described in
3 this section.

4 1. Operating costs mill rate. The operating costs mill
5 rate, as described in chapter 606, is in effect for the limited
6 purposes of determining the state and local shares of each school
7 administrative unit's program costs allocation and its debt
8 service allocation, and for determining the amount required to
9 provide the statewide state share of the allocation for the per
10 pupil guarantee. For each individual school administrative unit,
11 the amounts described in section 15655, subsection 1 are used
12 rather than the amounts in section 15608, subsection 1; section
13 15609, subsection 1, paragraph A; and section 15610, subsection
14 1, paragraph A.

15 2. Parameters for fiscal year 1996-97. Notwithstanding any
16 other provision of this Title, the following parameters as
17 described in chapter 606 and this chapter must be used for fiscal
18 year 1996-97:

19 A. For fiscal year 1996-97:

20 (1) The income weight in section 15652, subsection 2
21 is .15;

22 (2) The statewide adjustment factor as described in
23 section 15654, subsection 1, paragraph B is .15;

24 (3) The operating costs mill rate used in the subsidy
25 calculation is 6.06 mills;

26 (4) The program millage limit is 1.24 mills; and

27 (5) The debt service millage limit is .49 mills.

28 **Sec. B-5. Effective date.** That section of this Part that enacts
29 the Maine Revised Statutes, Title 20-A, chapter 606-A takes
30 effect July 1, 1995.'

31 Further amend the bill by inserting at the end before the
32 statement of fact the following:

33 **FISCAL NOTE**

34 This bill establishes the allocation method for the
35 distribution of school subsidy in fiscal year 1995-96 and creates
36 a new school funding formula to be effective in fiscal year
37 1996-97. Funding to support these distributions is included in

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the proposed "current services" budget for fiscal years 1995-96
and 1996-97.

The proposed "current services" budget includes different
methods to distribute school subsidy funds for these two fiscal
years. If this bill is adopted LD 706 and LD 902 would be in
conflict with one another.'

STATEMENT OF FACT

This amendment replaces the bill with the minority committee
recommendations for school funding. The amendment adds income to
the school funding formula beginning in fiscal year 1995-96,
adjusts the required local millage effort for receipt of state
subsidy and makes other technical changes to the funding formula.