

MAINE STATE LEGISLATURE

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117th MAINE LEGISLATURE

FIRST REGULAR SESSION-1995

Legislative Document

No. 902

S.P. 321

In Senate, March 21, 1995

**An Act to Implement Recommendations of the Committee to Study
Organizational and Tax Issues in Public Schools.**

(EMERGENCY)

Reference to the Committee on Education and Cultural Affairs suggested and ordered printed.

A handwritten signature in cursive script that reads "May M. Ross".

MAY M. ROSS
Secretary of the Senate

Presented by Senator AMERO of Cumberland.
Cosponsored by Senators: ABROMSON of Cumberland, BUTLAND of Cumberland,
HANLEY of Oxford, HARRIMAN of Cumberland, LAWRENCE of York, RAND of
Cumberland, SMALL of Sagadahoc, Representatives: CLOUTIER of South Portland,
DiPIETRO of South Portland, KERR of Old Orchard Beach, LIBBY of Kennebunk, LIBBY
of Buxton, MARVIN of Cape Elizabeth, REED of Falmouth.

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

4 **Whereas,** the School Finance Act of 1985 has been
6 significantly altered each year since 1991 due to a lack of state
funds; and

8 **Whereas,** alteration of the School Finance Act of 1985 has
10 resulted in a distribution pattern of general purpose aid for
education that is widely considered to be unequal and unfair; and

12 **Whereas,** these changes to the School Finance Act of 1985
14 have produced widespread fiscal distress for many communities and
taxpayers; and

16 **Whereas,** this legislation proposes adding new features to
18 the School Finance Act of 1985 designed to increase student and
taxpayer equity; and

20 **Whereas,** this legislation also proposes adjustments to the
22 Maine Residents Property Tax Program designed to provide property
tax relief to overburdened taxpayers; and

24 **Whereas,** increased student equity, taxpayer equity and
26 property tax relief are urgently needed statewide; and

28 **Whereas,** changes to the School Finance Act of 1985 and the
Maine Residents Property Tax Program must be adopted immediately
30 if these benefits are to begin during the 1995-96 fiscal year;
and

32 **Whereas,** in the judgment of the Legislature, these facts
34 create an emergency within the meaning of the Constitution of
Maine and require the following legislation as immediately
36 necessary for the preservation of the public peace, health and
safety; now, therefore,

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

40 **Sec. 1. 20-A MRSA §15603, sub-§§13-A, 19-B, 20-A and 25-E** are
42 enacted to read:

44 **13-A. Income weight.** "Income weight" means a value between
46 zero and one used to adjust a municipality's ratio of local
median household income to the statewide median household
48 income. The income weight plus the property weight defined in
subsection 20-A must equal one. The income weight is used in the
formula specified in section 15609.

2 **19-B. Normalized regional cost adjustment.** "Normalized
3 regional cost adjustment" means a factor that is used to adjust a
4 school administrative unit's operating cost allocation up or down
5 to reflect variations in regional costs.

6 **20-A. Property weight.** "Property weight" means a value
7 between zero and one used to adjust a municipality's ratio of
8 local per pupil fiscal capacity to the state average per pupil
9 fiscal capacity. The property weight plus the income weight
10 defined in subsection 13-A must equal one. The property weight
11 is used in the formula established in section 15609.

12 **25-E. Statewide percentage adjustment.** "Statewide
13 percentage adjustment" means the percentage necessary to allow
14 the State to stay within a specified level of funding for public
15 schools. The statewide percentage adjustment is used in the
16 formula established in section 15609.

17 **Sec. 2. 20-A MRSA §15603, sub-§27,** as amended by PL 1993, c.
18 410, Pt. F, §16, is further amended to read:

19 **27. Subsidy indices.** "Subsidy indices" means the equivalent
20 of mill rates and a statewide percentage adjustment used pursuant
21 to section 15608 that, when applied to the ~~fiscal capacity~~ of all
22 municipalities, would raise not more than 45% of the total
23 allocation and would establish the ~~operating cost millage~~, the
24 program millage limit and the debt service millage limit.

25 These indices may not be levied, but must be used for the purpose
26 of computing allocations.

27 **Sec. 3. 20-A MRSA §15607, sub-§§1-A and 1-B** are enacted to
28 read:

29 **1-A. Property weight.** Establish a statewide property
30 weight as defined in section 15603, subsection 20-A;

31 **1-B. Income weight.** Establish a statewide income weight as
32 defined in section 15603, subsection 13-A;

33 **Sec. 4. 20-A MRSA §15607, sub-§2,** as enacted by PL 1983, c.
34 859, Pt. G, §§2 and 4, is amended to read:

35 **2. Subsidy indices.** Establish an ~~operating cost millage~~, a
36 program millage limit and, a debt service millage limit and a
37 statewide percentage adjustment as defined in section 15603,
38 subsection 25-E;

2 **Sec. 5. 20-A MRSA §15608, sub-§1**, as enacted by PL 1983, c.
3 859, Pt. G, §§2 and 4, is amended to read:

4
5 **1. Operating cost allocation.** The maximum operating cost
6 allocation shall-be is the total of:

7
8 A. The product determined by multiplying the average number
9 of resident pupils in kindergarten and grades one to 8 in
10 the unit on April 1st and October 1st of the calendar year
11 immediately prior to the year of allocation, excluding
12 special education tuition pupils, by the elementary
13 foundation per pupil operating rate as established in
14 section 15607; and

15 B. The product determined by multiplying the average number
16 of resident pupils in grades 9 to 12 in the unit on April
17 1st and October 1st of the calendar year immediately prior
18 to the year of allocation, excluding special education
19 tuition pupils, by the secondary foundation per pupil
20 operating rate as established in section 15607, ; and

21
22 C. The sum of subsections A and B multiplied by a
23 normalized regional cost adjustment as defined in section
24 15603, subsection 19-B.

25
26 **Sec. 6. 20-A MRSA §15609, sub-§1, ¶A**, as amended by PL 1993, c.
27 410, Pt. F, §17, is repealed and the following enacted in its
28 place:

29
30 A. The local share percentage for operating costs for a
31 municipality is the result of the following 3 steps.

32
33 (1) The local per pupil fiscal capacity divided by the
34 statewide per pupil fiscal capacity as computed by the
35 commissioner is multiplied by the property weight
36 described in section 15603, subsection 20-A.

37
38 (2) The most recent local median household income
39 divided by the statewide average median household
40 income is multiplied by the income weight described in
41 section 15603, subsection 13-A.

42
43 (3) The sum of subparagraphs (1) and (2) is multiplied
44 by the statewide percentage adjustment defined in
45 section 15603, subsection 25-E. If the result exceeds
46 1.0, it must be reduced to 1.0.

47
48 The local share of the operating allocation described in
49 section 15608, subsection 1 is the total operating
50

2 allocation multiplied by the local share percentage for
3 municipal school units. The difference between the total
4 operating allocation and the local share is the state
5 allocation for operating costs. The local share percentage
6 for a school administrative district or a community school
7 district is the sum of the local share percentages for each
8 member municipality after having been prorated based on the
9 municipality's total number of pupils in the prior calendar
10 year as used in the district's subsidy calculation.

11 **Sec. 7. 20-A MRSA §15609, sub-§1, ¶A-1** is enacted to read:

12 A-1. Beginning in fiscal year 1995-96 the income weights
13 used are as follows.

14 (1) For fiscal year 1995-96 the income weight is 0.1.

15 (2) For fiscal year 1996-97 the income weight is 0.2.

16 (3) For fiscal year 1997-98 the income weight is 0.3.

17 (4) For fiscal year 1998-99 the income weight is 0.4.

18 (5) For fiscal year 1999-2000 the income weight is 0.5.

19 In years subsequent to fiscal year 1999-2000 the income
20 weight remains at 0.5.

21 **Sec. 8. 36 MRSA §383**, as amended by PL 1989, c. 857, §75, is
22 further amended to read:

23 **§383. Assessors' annual return to State Tax Assessor**

24 The municipal assessors and the assessors of primary
25 assessing areas shall make and return on blank lists, which must
26 be seasonably furnished by the State Tax Assessor for that
27 purpose, all such information as to the assessment of property
28 and collection of taxes as may be needed in the work of the State
29 Tax Assessor, including annually the land value, exclusive of
30 buildings and all other improvements, and the valuation of each
31 and every class of property assessed in their respective
32 jurisdiction, with the total valuation and percentage of
33 taxation, together with a statement to the best of their
34 knowledge and belief of the ratio, or percentage of current just
35 value, upon which the assessment is based and itemized lists of
36 property upon which the town has voted to affix a value for
37 taxation purposes. They shall also identify the class of
38 property for each property, whether the property is owned by a
39 corporation or an individual, whether an individual owner of a

2 property is a resident of the State and whether a residence is a
3 primary or secondary residence. The State Tax Assessor may
4 establish procedures and promulgate rules, in accordance with the
5 Maine Administrative Procedure Act, designed to ensure that the
6 ratio certified by the municipal assessors or the assessors of
7 primary assessing areas is accurate within 20% of the state
8 valuation ratio last determined, unless adequate evidence is
9 presented to the State Tax Assessor by the municipality to
10 justify a different assessment ratio. These completed lists must
11 be returned to the State Tax Assessor no later than November 1st,
12 annually, or 30 days after commitment, whichever is later.

13 **Sec. 9. 36 MRSA §5132** is enacted to read:

14 **§5132. Property tax credit**

15 Resident individuals may claim, against state income tax
16 otherwise due for the tax year, credit for property tax claims
17 under the Maine Residents Property Tax Program. If the allowable
18 amount of the property tax claim exceeds the state income tax
19 otherwise due for the tax year or if there is no state income tax
20 due for the tax year, the amount of the claim not used as an
21 offset against the state income tax must, after examination and
22 review by the State Tax Assessor, be approved for payment without
23 interest to the claimant.

24 **Sec. 10. 36 MRSA §6204**, as amended by PL 1989, c. 534, Pt. A,
25 §5, is further amended to read:

26 **§6204. Filing date**

27 No claim may be paid unless the claim is filed with the
28 Bureau of Taxation on or ~~after August 1st and on or~~ before the
29 following ~~December 31st~~ April 15th.

30 **Sec. 11. 36 MRSA §6207, sub-§1, ¶A-1**, as amended by PL 1993, c.
31 410, Pt. C, §6, is further amended to read:

32 A-1. Seventy Fifty percent of that portion of the benefit
33 base that exceeds 7.0% 4.5% but does not exceed 8.5% of
34 household income plus 100% if that portion of the benefit
35 base that exceeds 8.5% of income to a maximum payment of
36 \$500 \$3,000.

37 **Sec. 12. 36 MRSA §6207, sub-§2**, as amended by PL 1993, c. 410,
38 Pt. C, §7, is further amended to read:

39 **2. Income eligibility.** Claimants with household incomes in
40 excess of ~~\$25,000~~ \$50,000 are not eligible for a benefit.

2 **Sec. 13. Task force established.** The Task Force on Tuition
4 Reimbursement, referred to in this section as the "task force,"
6 is established to determine the appropriate tuition reimbursement
8 rate and clarify organizational issues for students who are
10 educated in a school administrative unit other than their home
12 unit.

14 **1. Task force membership.** The task force consists of 9
16 members, broadly representative of school administrative units
18 statewide. Members of the task force are appointed by the
20 Commissioner of Education, in consultation with the Joint
22 Standing Committee on Education and Cultural Affairs.

24 **2. Duties.** The task force shall undertake a broad review
26 of issues related to tuition in public and private schools. The
28 task force's duties include, but are not limited to:

30 A. Developing a mechanism to compensate school
32 administrative units whose cost for operating expenditures
34 per student is higher than the tuition reimbursement rate;

36 B. Developing a mechanism to compensate school
38 administrative units with low state subsidies whose tuition
40 rates exceed their cost for operating expenditures per
42 student; and

44 C. Reviewing the impact of tuition costs on capital
46 construction and renovation.

48 **3. Report.** The task force shall present its report on the
50 costs of tuition to public and private schools to the
Commissioner of Education by October 1, 1996.

4. Staff assistance. The task force may receive assistance
from the Department of Education.

38 **Sec. 14. Commissioner of Education to review operating and
40 program costs.** The Commissioner of Education shall review the
42 components included in the actual local operating costs portion
44 of the school finance formula, as defined in the Maine Revised
46 Statutes, Title 20-A, section 15603, subsection 26-A, paragraph
48 A, and the actual local program costs portion of the school
50 finance formula, as defined in Title 20-A, section 15603,
subsection 26-A, paragraph B. The commissioner shall determine
whether the current costs included in actual local operating
costs and actual local program costs result in an accurate
assessment of school administrative unit costs and efficient
reimbursement by the State. The commissioner shall consult with
the State Board of Education, education officials, municipal

2 officials and others in reviewing operating and program costs.
3 The commissioner shall report any findings and recommendations to
4 the Joint Standing Committee on Education and Cultural Affairs by
5 January 1, 1996.

6 **Emergency clause.** In view of the emergency cited in the
7 preamble, this Act takes effect when approved.
8

10 STATEMENT OF FACT

11 This bill implements the school finance recommendations of
12 the Committee to Study Organizational and Tax Issues in Public
13 Schools. The bill accomplishes the following.
14

15 1. The bill amends the School Finance Act of 1985 by adding
16 median community income and regional costs to the calculation of
17 each school administrative unit's ability to fund public
18 education in kindergarten and grades one to 12.
19

20 2. The bill directs municipal assessors to annually provide
21 to the Bureau of Taxation information on the class of each
22 property in the municipality, whether the property is owned by a
23 corporation or an individual, whether property owners are
24 residents of Maine and whether a residence is a primary or
25 secondary residence.
26

27 3. The bill permits claimants under the Maine Residents
28 Property Tax Program to claim the credit on their state income
29 tax return and receive a refund of the difference between income
30 tax liability and the property tax credit.
31

32 4. The bill changes the deadline for filing under the Maine
33 Residents Property Tax Program to April 15th so that it coincides
34 with the deadline for filing state income tax returns.
35

36 5. The bill changes the benefit calculation for Maine
37 residents under the Maine Residents Property Tax Program.
38

39 6. The bill directs the Commissioner of Education to
40 establish a task force to study and report back to the
41 commissioner by October 1, 1996 on issues related to tuition
42 costs to school administrative units for students who attend
43 schools outside their home district.
44

45 7. The bill directs the Commissioner of Education to review
46 issues related to subsidizing operating and program costs
47 incurred by school administrative units. The commissioner is
48 required to consult with the State Board of Education, education
49 officials, municipal officials and others before reporting to the
50 Joint Standing Committee on Education and Cultural Affairs by
51 January 1, 1996.
52