

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

FIRST REGULAR SESSION-1999

Legislative Document

No. 1976

S.P. 701

In Senate, March 23, 1999

An Act to Amend the Funding Formula Components that Determine the State and Local Share of School Funding.

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

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator CATHCART of Penobscot.
Cosponsored by Representative DUNLAP of Old Town and
Representatives: BAKER of Bangor, SANBORN of Alton, STEVENS of Orono, WILLIAMS
of Orono.

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

2
4 **Sec. 1. 20-A MRSA §5806, sub-§2**, as amended by PL 1987, c. 463, is further amended to read:

6 **2. Maximum allowable tuition.** The maximum allowable
8 tuition charged to a school administrative unit by a private
10 school shall be is the rate established under subsection 1 or the
12 state average per public secondary student cost as adjusted,
14 whichever is lower, ~~plus an insured value factor. The insured
16 value factor shall be computed by dividing 5% of the insured
18 value of school buildings and equipment by the average number of
pupils enrolled in the school on October 1st and April 1st of the
year immediately before the school year for which the tuition
charge is computed. It may not exceed 10% of a school's legal
tuition rate per student in any one year beginning with the
1988-89 school year.~~

20 ~~For the 1988-89 school year only the state share of the increase
22 in the insured value factor shall be paid in the year of
allocation.~~

24 **Sec. 2. 20-A MRSA §15603, sub-§8, ¶C**, as amended by PL 1997,
c. 787, §7, is repealed.

26 **Sec. 3. 20-A MRSA §15603, sub-§26-A, ¶C**, as enacted by PL
28 1993, c. 410, Pt. F, §15, is amended to read:

30 C. "Debt service costs" includes the following:

32 (1) Principal and interest on approved school
34 construction costs as described in subsection 8,
paragraph A; and

36 (2) Approved lease costs as described in subsection 8,
paragraphs B and E; and.

38 ~~(3) Insured value factor costs as described in
40 subsection 8, paragraph C.~~

42 **Sec. 4. 20-A MRSA §15603, sub-§26-A, ¶F**, as amended by PL
44 1995, c. 665, Pt. J, §2, is repealed and the following enacted in
its place:

46 F. If, for any fiscal year, the amount appropriated for the
48 State's share of the total operating costs allocation is not
equal to 55% of the total operating costs allocation, the
percentage of the local share of operating costs must be
increased to the level required to maintain the total

2 operating costs allocation. The statewide millage for the
3 operating costs allocation is established by increasing the
4 original mill indices to the level required to offset the
5 underfunded state share as well as the local share. If, for
6 any fiscal year, the total amount appropriated for the
7 State's share of the program cost allocation is less than
8 60% of the total program cost allocation, the local share of
9 the program cost allocation must be increased to the level
10 required to maintain the total program cost allocation by
11 increasing the program millage indices to the level required
12 to offset the underfunded state share of program costs as
13 well as the local share, thus maintaining the total program
14 cost allocation. The debt service millage limit remains as
15 originally calculated under section 15611, subsection 1,
16 paragraph A. The resulting millage indices are used to
17 calculate the local share of the total allocation and the
18 level of state subsidy.

19 **Sec. 5. 20-A MRSA §15603, sub-§27**, as amended by PL 1993, c.
20 410, Pt. F, §16, is further amended to read:

21 **27. Subsidy indices.** "Subsidy indices" means the equivalent
22 of mill rates that, when applied to the fiscal capacity of all
23 municipalities, would ~~raise--not--more--than--45%--of--the--total~~
24 ~~allocation--and--would--establish~~ represent the operating cost
25 millage, the program millage limit and the debt service millage
26 limit.

27 These indices may not be levied, but must be used for the purpose
28 of computing allocations.
29

30 **Sec. 6. 20-A MRSA §15605, sub-§2, ¶D**, as amended by PL 1989,
31 c. 466, §4, is further amended to read:

32 **D.** The requested funding levels for debt service under
33 section 15604, subsection 1, paragraph G, ~~shall-be~~ are as
34 follows:

- 35 (1) The known obligations and estimates of anticipated
36 principal and interest costs for the year of allocation;
- 37 (2) ~~The expenditures for the insured value factor for~~
38 ~~the base year;~~
- 39 (3) The level of leases, including leases under which
40 the school administrative unit may apply the lease
41 payments to the purchase of portable, temporary
42 classroom space beginning January 1, 1988, approved by
43 the commissioner for the year prior to the year of
44 allocation;

2 (4) Funds allocated by the state board for new school
4 construction projects funded in the current fiscal
year; and

6 (5) Funds approved by the commissioner for purchase of
8 portable, temporary classroom space for the year of
allocation, beginning January 1, 1988.

10 **Sec. 7. 20-A MRSA §15610, sub-§1, ¶G** is enacted to read:

12 G. Notwithstanding any other provision of this chapter or
14 chapter 606-A, if reductions are made in the state share of
16 the foundation allocation by calculating a reduction for
18 each unit, the calculation must be performed by applying a
standard mill rate to each school administrative unit rather
than by applying a fixed percentage to each school
administrative unit.

20 **Sec. 8. 20-A MRSA §15613, sub-§17**, as enacted by PL 1997, c.
22 395, Pt. R, §1, is amended to read:

24 **17. Unobligated balances.** Unobligated balances from
26 amounts appropriated for general purpose aid for local schools
28 may not lapse but must be redistributed to school administrative
30 units in the same fiscal year. The commissioner shall make the
32 final determination of the total amount of unobligated funds and
34 must redistribute 75% of those funds to program costs and 25% of
36 those funds to out-of-district placement costs. ~~Te-redistribute
the--75%--pertation--to--the--state--share--of--program--costs--the
reduction--percentage--originally--calculated--for--program--costs
pursuant--to--section--15603,--subsection--26--A,--paragraph--F--must--be
reduced--by--an--amount--sufficient--to--distribute--the--75%--share,--The
reductions--in--these--percentages--apply--to--all--program--cost--areas
except--the--transportation--operating--cost--allocation.~~

38 SUMMARY

40 Current law requires that school administrative units will
42 receive state subsidy for the state share of the foundation
44 allocation, defined as the adjusted total of actual local
46 operating costs and actual local program costs. However, the
48 funds for these subsidizable costs are limited to the amount
appropriated by the Legislature for the General Purpose Aid for
Local Schools program. Appropriations for the past several years
have addressed less than 25% of the amount needed to fully fund
this program.

2 The purpose of this bill is to ensure that pupil equity and
taxpayer equity are achieved through the school funding formula
4 by guaranteeing that the State provides adequate state subsidies
toward the total allocation costs incurred by school
6 administrative units.

8 The bill removes the insured value factor from the maximum
allowable tuition rate charged to a school administrative unit by
10 a private school for enrolling secondary school students in
private schools.

12 The bill amends the funding formula components that
determine the state and local share of operating costs and
14 program cost allocations when the amount appropriated for the
State's share of operating costs is less than 55% of total
16 operating costs allocation and when the amount appropriated for
the State's share of program costs is less than 60% of total
18 program cost allocation.

20 The bill repeals the so-called "percentage rate" subsidy
reduction method from the School Finance Act of 1985 and requires
22 that reductions in state funds be made by applying a mill rate
subsidy reduction to each school administrative unit rather than
24 a percentage rate subsidy reduction to each school administrative
unit.