

MAINE STATE LEGISLATURE

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DATE: *6-9-03*

(Filing No. S-*258*)

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EDUCATION AND CULTURAL AFFAIRS

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Reported by: *Majority*

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**STATE OF MAINE
SENATE
121ST LEGISLATURE
FIRST REGULAR SESSION**

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COMMITTEE AMENDMENT "*A*" to S.P. 575, L.D. 1623, Bill, "An Act To Implement School Funding Based on Essential Programs and Services"

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Amend the bill in Part A by striking out all of section 1 and inserting in its place the following:

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Sec. A-1. 20-A MRSA §15652, sub-§6, as enacted by PL 1995, c. 368, Pt. Z, §1 and affected by §2, is amended to read:

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6. Property fiscal capacity. "Property fiscal capacity" means the lesser of the average of the state valuation amounts for the 2 most recent years prior to the year of funding ~~or~~ and the state valuation amount for the most recent year, except that for fiscal year 2004-05 "property fiscal capacity" means the lesser of the average of the state valuation amounts for the 3 most recent years prior to the year of funding and the state valuation amount for the most recent year.

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Sec. A-2. 20-A MRSA §15656, sub-§1, as enacted by PL 1999, c. 401, Pt. GG, §8, is amended to read:

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1. Pupil count used for operating costs. The resident pupil count used for operating costs in this chapter is the greater of the average of the 2 census counts for the most recent calendar year and the average of the 4 census counts for the 2 most recent calendar years, except that for fiscal year 2004-05 the resident pupil count used for operating costs in this chapter is the greater of the average of the 2 census counts for the most

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COMMITTEE AMENDMENT

2 recent calendar year and the average of the 6 census counts for
3 the 3 most recent calendar years.

4 A. The 2 census counts in each calendar year must be for
5 April 1st and October 1st.

6 B. As an exception, only the 2 census counts in the most
7 recent calendar year may be used for:

10 (1) Kindergarten to grade 8 students for units that
11 send all their kindergarten to grade 8 students as
12 tuition students to schools elsewhere in the State;

14 (2) Grade 9 to grade 12 students for units that send
15 all their grade 9 to grade 12 students as tuition
16 students to schools elsewhere in the State; and

18 (3) Kindergarten to grade 12 students for units that
19 send all their kindergarten to grade 12 students as
20 tuition students to schools elsewhere in the State.

22 **Sec. A-3. 20-A MRSA §15660** is enacted to read:

24 **§15660. Repeal**

26 This chapter is repealed July 1, 2005.'

28 Further amend the bill in Part A in section 3 in subsection
29 7 in paragraph A in the 2nd line (page 1, line 21 in L.D.) by
30 inserting after the following: "percentage" the following: 'and
31 excluding program cost allocation, debt service allocation and
32 adjustments.'

34 Further amend the bill in Part A in section 3 in subsection
35 7 in paragraph B by striking out all of subparagraphs (1) to (4)
36 (page 1, lines 37 to 43 in L.D.) and inserting in their place the
37 following:

38 '(1) For fiscal year 2005-06, the target is 49%.

40 (2) For fiscal year 2006-07, the target is 49.25%.

42 (3) For fiscal year 2007-08, the target is 49.50%.

44 (4) For fiscal year 2008-09, the target is 49.75%.'

46 Further amend the bill in Part A in section 4 in that part
47 designated "**§15672.**" in subsection 23 in the 3rd line (page 4,
48 line 25 in L.D.) by striking out the following: "2" and
49 inserting in its place the following: '3'
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COMMITTEE AMENDMENT "A" to S.P. 575, L.D. 1623

2 Further amend the bill in Part A in section 4 in that part
designated "§15674." in subsection 1 in paragraph C in
4 subparagraph (2) in the first line (page 6, line 29 in L.D.) by
striking out the following: "2" and inserting in its place the
following: '6'

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8 Further amend the bill in Part A in section 4 in that part
designated "§15674." in subsection 1 in paragraph C in
10 subparagraph (2) in the 2nd line (page 6, line 30 in L.D.) by
striking out the following: "2" and inserting in its place the
following: '3'

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14 Further amend the bill in Part A in section 4 in that part
designated "§15680." in subsection 4 in the first line (page 12,
line 32 in L.D.) by striking out the following: "2008-09" and
16 inserting in its place the following: '2006-07'

18 Further amend the bill in Part A in section 4 in that part
designated "§15680." in subsection 4 in the 2nd line (page 12,
20 line 33 in L.D.) by striking out the following: "3" and
inserting in its place the following: '2'

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24 Further amend the bill in Part A in section 4 in that part
designated "§15681." in subsection 5 in the first line (page 14,
line 12 in L.D.) by striking out the following: "2008-09" and
26 inserting in its place the following: '2006-07'

28 Further amend the bill in Part A in section 4 in that part
designated "§15681." in subsection 5 in the 2nd line (page 14,
30 line 13 in L.D.) by striking out the following: "3" and
inserting in its place the following: '2'

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34 Further amend the bill in Part A in section 4 in that part
designated "§15682." in the first paragraph in the 9th line (page
14, line 29 in L.D.) by striking out the following: "2008-09,
36 and at least every 3" and inserting in its place the following:
'2006-07, and at least every 2'

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40 Further amend the bill in Part A in section 4 in that part
designated "§15687." in the first paragraph in the 2nd line (page
18, line 26 in L.D.) by striking out the following: "routine
42 technical" and inserting in its place the following: 'major
substantive'

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46 Further amend the bill by relettering or renumbering any
nonconsecutive Part letter or section number to read
consecutively.

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SUMMARY

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This amendment is the majority report of the Joint Standing
Committee on Education and Cultural Affairs. The amendment
proposes to accomplish the following.

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1. It establishes July 1, 2005 as the effective date for
the repeal of the School Finance Act of 1995 to coincide with the
implementation of the transition to a new school funding
approach, based on essential programs and services, beginning in
fiscal year 2005-06.

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2. It establishes that, beginning in fiscal year 2004-05,
the pupil counts and the property valuation data used for
determination of the state subsidy to be distributed to each
school administrative unit will be based on the averages of the
annual numbers for pupil count and for property valuation for the
most recent 3-year period or the pupil counts and the property
valuation data for the most recent year, whichever results in a
greater pupil count or a lesser property valuation compared to
statewide averages for these factors.

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3. It clarifies that the annual targets established for the
essential programs and services transition percentage exclude
program cost allocation, debt service allocation and adjustments.

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4. It amends the annual targets established for the
transition to an increased state share percentage under the
essential programs and services funding approach.

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5. It amends the timeline established for reviewing the
essential programs and services components by establishing that
the review begins in fiscal year 2006-07 and takes place at least
every 2 years thereafter.

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6. It amends the rule-making provisions of the bill to
establish that rules adopted to implement the provisions of the
Essential Programs and Services Funding Act are major substantive
rules.

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FISCAL NOTE REQUIRED
(See attached)

**121st Maine Legislature
Office of Fiscal and Program Review**

**LD 1623**

An Act to Implement School Funding Based on Essential Programs and Services

LR 2124(02)

Fiscal Note for Bill as Amended by Committee Amendment "A" S-258

Committee: Education and Cultural Affairs

Fiscal Note Required: Yes

Fiscal Note

| | 2003-04 | 2004-05 | Projections 2005-06 | Projections 2006-07 |
|-----------------------------------|----------------|----------------|--------------------------------|--------------------------------|
| Net Cost (Savings) | | | | |
| General Fund | \$0 | \$0 | \$ (17,017,327) | \$ 4,198,058 |
| Appropriations/Allocations | | | | |
| General Fund | \$0 | \$0 | \$ (17,017,327) | \$ 4,198,058 |

Fiscal Detail and Notes

This bill replaces the School Finance Act of 1995, the current method used to determine individual school units' operating cost subsidy, with the Essential Programs and Services Funding Act, which uses specific key components to determine the operating cost subsidy for each local school unit. Although the method used to calculate each school unit's operating subsidy is replaced, the current distribution method for the operating cost allocation established in the School Finance Act of 1995 is maintained. However, this bill makes changes to the calculation of pupil count and property fiscal capacity that is used to determine the amount of state subsidy to be distributed to each school administrative unit beginning in fiscal year 2004-05. Although this change will not impact the total amount of funds available for distribution for General Purpose Aid for Local Schools, it may affect the amount of school subsidy that each individual unit receives. The impact to each individual school unit can not be determined at this time.

The School Finance Act of 1985, the current method used to determine program costs, debt service and all adjustments, is also maintained. However, the estimates provided by the Department assume the transition of program costs to the Essential Programs and Services model beginning in fiscal year 2005-06.

Since the operating cost allocation for each school administrative unit will be determined based on a different set of factors than what is used in the current school funding formula, the subsidy amount for each local unit may change as well. The impact to each individual school unit cannot be determined at this time. A key component of operating cost allocation is the additional per pupil funding targeted at K-2 students, assessments and technology resources. Local school units will only receive this additional funding if it is in compliance with certain requirements or meets certain eligibility criteria. The impact on the local school units' funding associated with this key component can not be determined at this time.

The following table provides estimates for the total State and Local Operating cost of funding education based on the Essential Programs and Services model and compares the total State and Local cost of funding K-12 education based on the EPS model, adjusted for the transition percentage, with the total State and Local cost of funding education based on the current model. The table also provides a comparison of the General Fund appropriations that are estimated to be needed to fund the state's share of the cost of funding K-12 education.

| | Base Year | | | |
|--|------------------|------------------|------------------|------------------|
| | <u>2003-04*</u> | <u>2004-05*</u> | <u>2005-06</u> | <u>2006-07</u> |
| Total State & Local Operating Cost allocation based on EPS model (100%) | \$ 1,256,951,694 | \$ 1,260,260,954 | \$ 1,270,125,664 | \$ 1,285,714,652 |
| EPS Transition Percentage | 80.82% | 82.00% | 84.00% | 88.00% |
| Adjusted Total Operating Allocation based on EPS model | \$ 1,015,868,359 | \$ 1,033,413,982 | \$ 1,066,905,558 | \$ 1,131,428,894 |
| Total State & Local cost based on EPS funding model (includes program costs, debt service and adjustments) | \$ 1,467,457,416 | \$ 1,518,173,106 | \$ 1,537,199,970 | \$ 1,618,879,589 |
| Total State & Local cost based on current funding formula (includes program costs, debt service and adjustments) | \$ 1,467,408,432 | \$ 1,503,862,194 | \$ 1,543,887,175 | \$ 1,589,694,612 |
| Net Increase (Decrease) in Allocation | \$ 48,984 | \$ 14,310,912 | \$ (6,687,205) | \$ 29,184,977 |
| State Share Targets to fund K-12 education based on EPS model | 49.89% | 47.81% | 49.00% | 49.25% |
| Estimated General Fund appropriation needed to fund K-12 education based on EPS model | | | \$ 753,227,985 | \$ 797,298,197 |
| Estimated General Fund appropriation needed to fund K-12 education based on current funding model | | | \$ 770,245,312 | \$ 793,100,139 |
| Net General Fund Appropriation (Deappropriation) required to fund EPS model vs.current funding formula | | | \$ (17,017,327) | \$ 4,198,058 |

* No adjustment in fiscal year 2003-04 and fiscal year 2004-05