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14 STATE OF MAINE
16 SENATE
18 121ST LEGISLATURE
20 SECOND SPECIAL SESSION

22 COMMITTEE AMENDMENT "A" to S.P. 761, L.D. 1924, Bill, "An
24 Act To Reduce the Cost of Local Government through Increased
26 State Education Funding and Provide Property Tax Relief"

28 Amend the bill by striking out everything after the enacting
30 clause and before the summary and inserting in its place the
32 following:

'Sec. 1. 5 MRSA §1677 is enacted to read:

34 §1677. Municipal Budget Analysis Committee; established;
36 membership

38 There is established the Municipal Budget Analysis
40 Committee, referred to in this section as "the committee," for
42 the purpose of providing the Governor and the Legislature with an
44 analysis of the effectiveness of increased state support for
46 education services in reducing the local property tax commitment
required to fund the cost of the essential programs and services
described in Title 20-A, section 15671.

1. Membership; chair. The committee is composed of the
following members:

A. The Director of the State Planning Office or the
director's designee;

B. The Commissioner of Education or the commissioner's
designee;

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2 C. The State Budget Officer or the State Budget Officer's
3 designee;

4
5 D. The Director of the Bureau of Revenue Services within
6 the Department of Administrative and Financial Services or
7 the director's designee;

8
9 E. A representative of a statewide organization that
10 represents the interests of municipal governments, appointed
11 by the Governor; and

12
13 F. A representative of a statewide organization that
14 represents the interests of public school educators,
15 appointed by the Governor.

16
17 The Governor shall appoint one of the members to serve as chair.

18
19 2. Determination of effectiveness of increased state
20 support for public education in reducing property tax. Beginning
21 in fiscal year 2006-07 and ending in fiscal year 2009-10, the
22 committee shall meet annually on or about June 15th and, in
23 coordination with the development of budget estimates pursuant to
24 section 1665, determine whether the state share percentage of the
25 total costs of essential programs and services described in Title
26 20-A, section 15671, subsection 7 was met in the prior fiscal
27 year and to determine whether this level of state funding
28 resulted in a reduction of the related local property tax
29 commitment required to fund the costs of essential programs and
30 services described in Title 20-A, section 15671 in the prior
31 fiscal year. The committee's determination must be based on
32 consideration of the following information developed by the
33 Department of Education regarding each municipality and the
34 statewide aggregate for the prior fiscal year:

35 A. The total state and municipal spending for public
36 education services for kindergarten to grade 12;

37 B. The total costs of the essential programs and services
38 described in Title 20-A, section 15671;

39 C. The total state appropriation for public education
40 services for kindergarten to grade 12; and

41 D. The total local property tax commitment to support the
42 provision of public education services for kindergarten to
43 grade 12, municipal services and the local share of the
44 county budget apportioned pursuant to Title 30-A, section
45 706.

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2 3. Benchmarks and performance indicators. In addition to
3 the considerations set forth in subsection 2, paragraphs A to D,
4 the committee's determination under subsection 2 must be based on
5 consideration of the following benchmarks and performance
6 indicators for the specified state fiscal years.

8 A. For fiscal year 2006-07:

10 (1) The benchmark for the state share of the total
11 cost of the essential programs and services described
12 in Title 20-A, section 15671 is 48.0%; and

14 (2) The performance indicator for the related
15 reduction in local property tax commitment to fund the
16 cost of the essential programs and services described
17 in Title 20-A, section 15671 is 3.5% less than in
18 fiscal year 2005-06.

20 B. For fiscal year 2007-08:

22 (1) The benchmark for the state share of the total
23 cost of the essential programs and services described
24 in Title 20-A, section 15671 is 50.0%; and

26 (2) The performance indicator for the related
27 reduction in local property tax commitment to fund the
28 cost of the essential programs and services described
29 in Title 20-A, section 15671 is 3.5% less than in
30 fiscal year 2006-07.

32 C. For fiscal year 2008-09:

34 (1) The benchmark for the state share of the total
35 cost of the essential programs and services described
36 in Title 20-A, section 15671 is 52.5%; and

38 (2) The performance indicator for the related
39 reduction in local property tax commitment to fund the
40 cost of the essential programs and services described
41 in Title 20-A, section 15671 is 4.0% less than in
42 fiscal year 2007-08.

44 D. For fiscal year 2009-10:

46 (1) The benchmark for the state share of the total
47 cost of the essential programs and services described
48 in Title 20-A, section 15671 is 55.0%; and

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(2) The performance indicator for the related reduction in local property tax commitment to fund the cost of the essential programs and services described in Title 20-A, section 15671 is 4.5% less than in fiscal year 2008-09.

4. Annual report. The committee shall provide an annual report to the Governor and to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs, the joint standing committee of the Legislature having jurisdiction over education and cultural affairs and the joint standing committee of the Legislature having jurisdiction over taxation matters no later than September 1st in each of the fiscal years in which it meets pursuant to subsection 2. The committee's annual report must include the following:

A. The information developed by the Department of Education in accordance with subsection 2;

B. A progress report of the actions of state and local officials in accomplishing the benchmarks and performance indicators specified in subsection 3; and

C. Analyses of and findings with respect to the relevant factors, including any extenuating or exceptional circumstances, that contributed to the accomplishment or failure to accomplish the benchmarks and performance indicators specified in subsection 3 by state and local officials.

Sec. 2. 20-A MRSA §6202-A, sub-§§3 and 4, as enacted by PL 2001, c. 454, §30, are amended to read:

3. Public high school graduation decisions. By the 2006-2007 2007-2008 school year, public high school graduation must be determined by student achievement of the standards of the system of learning results in English language arts, health and physical education, mathematics, science and technology and social studies, based on the school administrative unit's local assessment system established pursuant to this section in addition to other requirements as established by school board policy. By the 2009-2010 school year, public high school graduation must be determined by student achievement of the standards of the system of learning results in all content areas of the system of learning results, based on the school administrative unit's assessment system established pursuant to subsection 1 in addition to other requirements as established by policy of the school board.

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2 4. **Graduation decisions at certain private high schools.** By
3 the 2006-2007 2007-2008 school year, high school graduation for
4 publicly funded students in private schools approved for tuition
5 that enroll at least 60% publicly funded students, as determined
6 by the previous school year's October and April average
7 enrollment, must be determined by student achievement of the
8 standards of the system of learning results in English language
9 arts, health and physical education, mathematics, science and
10 technology, and social studies, in addition to other requirements
11 that may be established by the trustees. By the 2009-2010 school
12 year, high school graduation for publicly funded students in
13 private schools must be determined by student achievement of the
14 standards of the system of learning results in all content areas
15 of the system of learning results, in addition to other
16 requirements as established by the trustees.

17 **Sec. 3. 20-A MRSA §6209, sub-§3,** as enacted by PL 2001, c.
18 454, §32, is amended to read:

19 **3. Career preparation; foreign languages; visual and**
20 **performing arts.** By the end of the 2002-2003 school year, each
21 school administrative unit shall address in the comprehensive
22 education plan, as required in section 4502, subsection 1, how
23 the school administrative unit will implement for all students
24 the content areas of career preparation, foreign languages and
25 visual and performing arts, including interim targets for partial
26 implementation. By the end of the 2006-2007 2007-2008 school
27 year, each local school administrative unit shall implement
28 standards in these additional content areas of the system of
29 learning results, contingent upon funding based on essential
30 programs and services or its equivalent. Notwithstanding any
31 other provision of this chapter, the commissioner is authorized
32 to establish rules for inclusion of some portion of the standards
33 in visual and performing arts for the graduating class of 2006-07
34 2007-2008.

35 **Sec. 4. 20-A MRSA §15603, sub-§11-A,** as enacted by PL 1993, c.
36 410, Pt. F, §13, is amended to read:

37 **11-A. Fiscal capacity.** "Fiscal capacity" means the ability
38 of a municipality to raise property tax revenues. For each year
39 of funding, fiscal capacity is measured as the average of the
40 state valuation amounts for the 2 most recent years prior to the
41 year of funding. For fiscal year 1993-94 and fiscal year 1994-95
42 only, if the most recent state valuation amount is less than the
43 average of the 2 most recent state valuation amounts, the fiscal
44 capacity of the municipality is considered to be the state
45 valuation for the most recent year. Beginning in fiscal year
46 2005-06, "fiscal capacity" means the certified state valuation
47 for the year prior to the most recently certified state
48 valuation.

valuation. 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. 5. 20-A MRSA §15609, sub-§2 is enacted to read:

2. Repeal. This section is repealed July 1, 2005.

Sec. 6. 20-A MRSA §15610, sub-§2 is enacted to read:

2. Repeal. This section is repealed July 1, 2005.

Sec. 7. 20-A MRSA §15611, sub-§3 is enacted to read:

3. Repeal. This section is repealed July 1, 2005.

Sec. 8. 20-A MRSA §15613, sub-§13, as enacted by PL 1987, c. 848, §10, is amended to read:

13. Minimum state allocation. Effective 1988-89, each school administrative unit ~~shall be~~ is guaranteed a minimum state share of its total allocation that is determined by multiplying 5% of the foundation per pupil operating rate by the average number of resident kindergarten to grade 12 pupils, including special education tuition pupils, in the unit on April 1st and October 1st of the calendar year immediately prior to the year of allocation. These funds ~~shall~~ must be included as part of the school unit's total allocation as computed under this chapter and not as an adjustment to the unit's total allocation. This subsection is repealed July 1, 2005.

Sec. 9. 20-A MRSA §15671, sub-§1, as enacted by PL 2001, c. 660, §1, is amended to read:

1. State and local partnership. The State and each local school administrative unit are jointly responsible for contributing to the cost of the components of essential programs and services described in this chapter. The state contribution to the cost of the components of essential programs and services, exclusive of federal funds that are provided and accounted for in the cost of the components of essential programs and services, must be made in accordance with this subsection:

A. The level of the state share of funding attributable to the cost of the components of essential programs and services must be at least 50% of eligible state and local General Fund education costs statewide, no later than fiscal year 2007-08; and

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2 B. By fiscal year 2009-10 the state share of the total cost
3 of funding public education from kindergarten to grade 12,
4 as described by essential programs and services, must be
5 55%. Beginning in fiscal year 2003-04 2005-06 and in each
6 fiscal year until fiscal year 2007-08 2009-10, the level of
7 the state share of ~~funding attributable to the cost of the~~
8 components of essential programs and services ~~described~~
9 costs must increase toward the 50% 55% level of ~~eligible~~
10 state ~~and local General Fund education costs~~ required in
11 fiscal year 2009-10.

12 Beginning in fiscal year 2003-04 2005-06 and in each fiscal year
13 thereafter, the commissioner shall use the funding level
14 determined in accordance with this section as the basis for a
15 recommended funding level for the state share of the cost of the
16 components of essential programs and services.

18 **Sec. 10. 20-A MRSA §15671, sub-§7, ¶B,** as enacted by PL 2003,
19 c. 504, Pt. A, §5, is amended to read:

20 B. The annual targets for the state share percentage are as
21 follows.

- 24 (1) For fiscal year 2005-06, the target is 49% 52.6%.
- 26 (2) For fiscal year 2006-07, the target is 49.25%
27 52.6%.
- 28 (3) For fiscal year 2007-08, the target is 49.50% 53%.
- 30 (4) For fiscal year 2008-09, the target is 49.75% 54%.
- 32 (5) For fiscal year 2009-10 and succeeding years, the
33 target is 50% 55%.

36 **Sec. 11. 20-A MRSA §15671-A** is enacted to read:

38 **§15671-A. Property tax contribution to public education**

40 **1. Definitions.** As used in this section, unless the
41 context otherwise indicates, the following terms have the
42 following meanings.

44 A. "Funding public education from kindergarten to grade 12"
45 means providing the cost of funding the essential programs
46 and services described in this chapter plus the total
47 allocations for program cost, debt service costs and
48 adjustments.

2 B. "Local cost share expectation" means the maximum amount
3 of money for funding public education from kindergarten to
4 grade 12 that may be derived from property tax for the
5 required local contribution established in section 15688,
6 subsection 3.

7 2. Local cost share expectation. The local cost share
8 expectation is established as follows.

10 A. Notwithstanding any other provision of law, with respect
11 to the assessment of any property taxes for property tax
12 years beginning on or after April 1, 2005, this subsection
13 establishes the local cost share expectation that may be
14 assessed on the value of property for the purpose of funding
15 public education from kindergarten to grade 12. The
16 commissioner shall annually by February 1st notify each
17 school administrative unit of its local cost share
18 expectation. Each superintendent shall report to the
19 municipal officers whenever a school administrative unit is
20 notified of the local cost share expectation or a change
21 made in the local cost share expectation resulting from an
22 adjustment.

24 B. For property tax years beginning on or after April 1,
25 2005, the commissioner shall calculate the full-value
26 education mill rate that is required to raise the total of
27 the local cost share expectation. The full-value education
28 mill rate is calculated by dividing the applicable tax year
29 percentage of the projected cost of funding public education
30 from kindergarten to grade 12 by the certified total state
31 valuation for the year prior to the most recently certified
32 total state valuation for all municipalities. The
33 full-value education mill rate must decline over the period
34 from fiscal year 2005-06 to fiscal year 2009-10 and may not
35 exceed 9.0 mills in fiscal year 2005-06 and may not exceed
36 8.0 mills in fiscal year 2009-10. The full-value education
37 mill rate must be applied according to section 15688,
38 subsection 3, paragraph A to determine a municipality's
39 local cost share expectation. Full-value education mill
40 rates must be derived according to the following schedule.

42 (1) For the 2005 property tax year, the full-value
43 education mill rate is the amount necessary to result
44 in a 47.4% local share in fiscal year 2005-06.

46 (2) For the 2006 property tax year, the full-value
47 education mill rate is the amount necessary to result
48 in a 47.4% local share in fiscal year 2006-07.

2 (3) For the 2007 property tax year, the full-value
education mill rate is the amount necessary to result
4 in a 47.0% local share in fiscal year 2007-08.

6 (4) For the 2008 property tax year, the full-value
education mill rate is the amount necessary to result
8 in a 46.0% local share in fiscal year 2008-09.

10 (5) For the 2009 property tax year, the full-value
education mill rate is the amount necessary to result
12 in a 45.0% local share in fiscal year 2009-10.

14 3. Exceeding maximum local cost share expectations;
separate article. Beginning with the 2005-2006 school budget,
16 the legislative body of a school administrative unit may adopt
property tax rates that exceed the local cost share expectation
18 established by section 15688, subsection 3, paragraph A if that
action is approved in a separate article by a vote of the school
20 administrative unit's legislative body through the same process
that the school budget is approved in that school administrative
unit.

22 **Sec. 12. 20-A MRSA §15672, sub-§23, as enacted by PL 2003, c.**
24 **504, Pt. A, §6, is amended to read:**

26 **23. Property fiscal capacity.** "Property fiscal capacity"
28 means the ~~lesser-of-the-average-of-the~~ certified state valuation
amounts ~~amount~~ for the 3-most-recent-years year prior to the year
30 ~~of-funding-and-the-state-valuation-amount-for-the~~ most recent
year recently certified state valuation.

32 **Sec. 13. 20-A MRSA §15673, as enacted by PL 2003, c. 504, Pt.**
34 **A, §6, is repealed and the following enacted in its place:**

36 **§15673. Relationship to School Finance Act of 1985**

38 The provisions of chapter 606 apply for the purposes of
calculating the total allocations for program costs and debt
40 service and for the purposes of calculating adjustments under
section 15612 and miscellaneous reimbursements and subsidy under
42 section 15613.

44 **Sec. 14. 20-A MRSA §15683, first ¶, as enacted by PL 2003, c.**
46 **504, Pt. A, §6, is amended to read:**

48 For each school administrative unit, that unit's total
operating allocation is the base total set forth in subsection 1
as adjusted in accordance with subsection 2 and including the
total amount for subsection 3.

2 **Sec. 15. 20-A MRSA §15684, sub-§3** is enacted to read:

4 **3. Repeal.** This section is repealed July 1, 2005.

6 **Sec. 16. 20-A MRSA §15686**, as enacted by PL 2003, c. 504, Pt. A, §6, is amended to read:

8 **§15686. Transition adjustment**

10 For each of the fiscal years described in section 15671, subsection 7, the commissioner shall establish a transition adjustment calculated to minimize the adverse fiscal impact directly---related---to that may be experienced by some municipalities as a result of the phase-in of this Act. The transition adjustment for a municipality must be directly related to the phase-in of essential programs and services and the local cost share expectation method under section 15671-A of determining the local contribution to the cost of funding essential programs and services. The amount of this adjustment must decline with each successive fiscal year, and the adjustments must end no later than fiscal year 2009-10.

24 **Sec. 17. 20-A MRSA §§15688 and 15689** are enacted to read:

26 **§15688. School administrative unit contribution to total cost of funding public education from kindergarten to grade 12**

28 **1. School administrative unit; total cost.** For each school administrative unit, the commissioner shall annually determine the school administrative unit's total cost of education. A school administrative unit's total cost of education must include:

34 **A. The school administrative unit's total cost of funding essential programs and services subject to the transition percentages described in section 15671, subsection 7, paragraph A;**

38 **B. The program cost allocation as used in chapter 606; and**

40 **C. The debt service allocation as used in chapter 606.**

42 **2. Member municipalities in school administrative districts or community school districts; total costs.** For each municipality that is a member of a school administrative district or community school district, the commissioner shall annually determine each municipality's total cost of education. A municipality's total cost of education is the school administrative district's or community school district's total cost of funding multiplied by the percentage that the

1 municipality's most recent calendar year average pupil count is
2 to the school administrative district's or community school
3 district's most recent calendar year average pupil count.

4
5 3. School administrative unit; contribution. For each
6 school administrative unit, the commissioner shall annually
7 determine the school administrative unit's contribution in
8 accordance with the following.

10 A. The school administrative unit's contribution to the
11 total cost of education is the lesser of:

12 (1) The total cost for each municipality as described
13 in subsection 1 or 2; and

14 (2) The total of the full-value education mill rate
15 calculated in section 15671-A, subsection 2 multiplied
16 by the certified state valuation for the year prior to
17 the most recently certified state valuation for each
18 municipality in the school administrative unit.

19
20
21 B. The state contribution to the school administrative
22 unit's total cost of education is the total cost of
23 education calculated pursuant to subsection 1 less the
24 school administrative unit's contribution calculated
25 pursuant to paragraph A.

26
27 4. Method of cost sharing; exception. For the purpose of
28 local cost sharing, the provisions of subsection 3 do not apply
29 to municipalities that are members of a school administrative
30 district or a community school district whose cost sharing
31 formula was established pursuant to private and special law prior
32 to January 1, 2004. For each municipality that is a member of a
33 school administrative district or a community school district
34 whose cost sharing formula was established pursuant to private
35 and special law prior to January 1, 2004, the cost sharing
36 formula established pursuant to private and special law
37 determines each municipality's local cost of education.

38
39 5. Effective date. This section takes effect July 1, 2005.

40
41 **§15689. Adjustments to state share of total allocation**

42
43 Beginning July 1, 2005, adjustments to the state share of
44 the total allocation must be made as set out in this section.

45
46 1. Minimum state allocation. Each school administrative
47 unit must be guaranteed a minimum state share of its total
48 allocation that is determined by the sum of the following:

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2 A. Multiplying 5% of each school administrative unit's
4 essential programs and services per-pupil elementary rate by
6 the average number of resident kindergarten to grade 8
 pupils as determined under section 15674, subsection 1,
 paragraph C, subparagraph (1); and

8 B. Multiplying 5% of each school administrative unit's
10 essential programs and services per-pupil secondary rate by
12 the average number of resident grade 9 to grade 12 pupils as
 determined under section 15674, subsection 1, paragraph C,
 subparagraph (1).

14 These funds must be included as part of the school administrative
16 unit's total allocation as computed under this chapter and not as
 an adjustment to the school administrative unit's total
18 allocation.

20 2. Adjustment for debt service. Each school administrative
 unit may receive an adjustment for a debt service determined as
22 follows.

24 A. A school administrative unit is eligible for this
 adjustment under the following conditions.

26 (1) The school administrative unit's local share
28 results in a full-value education mill rate less than
 the local cost share expectation as described in
30 section 15671-A.

32 (2) The school administrative unit has debt service
34 costs defined under section 15603, subsection 8 that
 have been placed on the state board's priority list by
 January 2005.

36 B. The amount of the adjustment is the difference, but not
38 less than zero, between the state share of the total
 allocation under this chapter and the amount computed as
40 follows.

42 (1) The school administrative unit's state share of
 the total allocation if the local share was the sum of
44 the following:

46 (a) The local share amount for the school
48 administrative unit calculated as the lesser of
 the total allocation excluding debt service costs
 and the school administrative unit's fiscal
50 capacity multiplied by the mill rate expectation
 established in section 15671-A less .50 mills; and

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2 (b) The local share amount for the school
3 administrative unit calculated as the lesser of
4 the debt service costs and the school
5 administrative unit's fiscal capacity multiplied
6 by .50 mills.

7 3. Adjustment limitations. The amounts of the adjustments
8 paid to school administrative units or municipalities in
9 subsections 1 and 2 are limited to the amounts appropriated by
10 the Legislature for these adjustments.

11
12 **Sec. 18. Basis for funding costs of education from kindergarten to**
13 **grade 12.** Notwithstanding any other provision of law, beginning
14 in fiscal year 2005-06, funding of the costs of education from
15 kindergarten to grade 12 must be based on the cost of providing
16 essential programs and services as described in the Maine Revised
17 Statutes, Title 20-A, chapter 606-B.

18
19 **Sec. 19. Special education.** To ensure greater consistency in
20 providing special education services, beginning on January 1,
21 2005, state-approved guidelines must be used in the
22 identification of children requiring special education services.
23 Beginning in fiscal year 2004-05, the Department of Education
24 shall provide to school administrative units training in the
25 application of the state-approved identification guidelines and
26 shall conduct periodic reviews to ascertain compliance in the
27 application of the state-approved guidelines. To ensure greater
28 equity and efficiency in the use of special education resources,
29 beginning in fiscal year 2005-06, special education costs must be
30 included in the essential programs and services operating cost
31 calculations and be based on a special education funding formula
32 that adheres to the 4 principles of being cost-based, equitable,
33 flexible and identification-neutral. The funding formula must
34 include provisions for providing supplemental funds for school
35 districts with extraordinary expenses associated with high-cost
36 in-district and out-of-district special education services and
37 programs.

38
39 **Sec. 20. Transportation.** To ensure greater equity and
40 adequacy in providing transportation services, beginning in
41 fiscal year 2005-06, transportation costs must be included in the
42 essential programs and services operating costs calculations and
43 be based on school administrative unit pupil transportation
44 densities and adjustments for in-district and out-of-district
45 required special education and vocational education
46 transportation costs and may include other factors that respond
47 to unique costs in some school administrative units. Beginning
48 in fiscal year 2005-06, an appeals process to determine
49 exceptions to the transportation operating cost for a school
50

administrative unit must be implemented. All appeals must include, but may not be limited to, an analysis of cost efficiency and a cost comparison with school administrative units having comparable pupil transportation density indices.

Sec. 21. Early childhood and vocational education. To ensure greater equity of education opportunities and efficiency in the use of early childhood and vocational education resources, beginning no later than fiscal year 2007-08, early childhood program costs and vocational education program costs must be included in the essential programs and services operating cost calculations.

Sec. 22. Sharing of total costs in school administrative districts and community school districts whose cost sharing formulas were created by private and special law; Department of Education facilitation. To ensure that member municipalities of school administrative districts and community school districts whose cost sharing formulas were established by private and special law do not experience significant adverse impacts as a result of the cost sharing mechanism established pursuant to the Maine Revised Statutes, Title 20-A, section 15688, subsection 2, the Department of Education shall facilitate a review and analysis, school administrative unit by school administrative unit, of the implications of this proposed cost sharing mechanism on the member municipalities of these school administrative districts and community school districts. The Department of Education shall report the findings of this review, including any recommended legislation, to the First Regular Session of the 122nd Legislature by January 31, 2005.'

SUMMARY

This amendment replaces the bill and makes the following changes to the bill.

1. It amends the existing state share percentage targets for fiscal year 2005-06 through fiscal year 2009-10 to provide for the so-called "ramp" necessary to achieve the 55% state share of school funding based on the essential programs and services funding model.

2. It provides for the establishment of the Municipal Budget Analysis Committee for the purpose of providing the Governor and the Legislature with an analysis of the effectiveness of increased state support for education services in reducing the local property tax commitment required to fund the cost of the essential programs and services over the 2005-06 to 2009-10 period. The committee shall consider in its analysis

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2 certain benchmarks for the increased state share of school
3 funding and performance indicators for the related reduction in
4 local property tax commitments for each fiscal year; and the
5 Department of Education shall develop information for the
6 committee on each municipality and the statewide aggregate to
7 determine whether the increased level of state funding resulted
8 in a reduction of the related local property tax commitment
9 required to fund the costs of essential programs and services in
10 the prior fiscal year.

11
12 3. It delays the requirements for school administrative
13 units and certain private high schools to implement standards in
14 the content areas of mathematics, English language arts, health
15 and physical education, science and technology and social
16 studies, including the requirement that high school graduation be
17 determined by student achievement of the standards for these
18 content areas, by one year to the 2007-2008 school year. It also
19 delays the requirements that school administrative units
20 implement standards in the content areas of career preparation,
21 foreign languages and visual and performing arts by one year to
22 the 2007-2008 school year.

23
24 4. It deletes the section of the bill that proposes to
25 place transportation operating costs into the essential programs
26 and services funding model and instead incorporates an
27 unallocated section that provides that transportation operating
28 costs must be placed in the essential programs and services
29 funding model beginning in fiscal year 2005-06 and must include
30 adjustments to the proposed calculation of these operating costs
31 to reflect the transportation of special education students and
32 vocational education students and other factors that respond to
33 unique costs in some school administrative units. This section
34 also provides that the proposed appeals process may also include
35 analyses of other factors beyond cost efficiency and a cost
36 comparison with comparable units.

37
38 5. It provides a technical amendment to the definition of
39 "local cost share expectation" to clarify that this expectation
40 is directly related to the school administrative unit's
41 contribution to the "total cost of education" as determined by
42 the Commissioner of Education.

43
44 6. It provides a technical amendment to clarify that the
45 calculation of the full-value education mill rate is derived from
46 an annual local share percentage beginning in fiscal year 2005-06
47 and concluding in fiscal year 2009-10.

48
49 7. It clarifies that a school administrative unit's
50 legislative body may exceed the local cost share expectation

COMMITTEE AMENDMENT "A" to S.P. 761, L.D. 1924

beginning in fiscal year 2005-06 rather than in fiscal year
2009-10 as proposed in the bill.

8. It establishes an exception for the member municipalities of school administrative districts and community school districts whose district cost sharing formulas were established by private and special law and further directs the Department of Education to study the implications of the proposed "total cost of education" mechanism on member municipalities of districts whose district cost sharing formulas were created by private and special law.

9. It establishes January 1, 2005 as the implementation date for the use of state-approved guidelines in the identification of children requiring special education services and provides that the Department of Education will provide training to school administrative units in the application of these guidelines beginning in fiscal year 2004-05.

FISCAL NOTE REQUIRED
(See attached)

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

LD 1924

**An Act to Reduce the Cost of Local Government through Increased
State Education Funding and Provide Property Tax Relief**

LR 2783(02)

Fiscal Note for Bill as Amended by Committee Amendment "A"

Committee: Taxation

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	\$ 55,339,199	\$ 54,232,466
Appropriations/Allocations				
General Fund	\$0	\$0	\$ 55,339,199	\$ 54,232,466

Fiscal Detail and Notes

This bill requires the State's share of funding K-12 public education to increase to 55% by fiscal year 2009-10 versus the 50% requirement that was approved by the Legislature in Public Law 2003, c. 504, An Act to Implement School Funding Based on Essential Programs and Services. This bill also provides for the calculation of a full-value education mill rate that is required to raise the total of the local cost share expectation and requires that this rate decline over the fiscal year 2004-06 to fiscal year 2009-10 time period. This bill also specifies that the full-value education mill rate may not exceed 9.0 mills in fiscal year 2005-06. The Department of Education estimates the mill rate expectation to be 7.98 mills in fiscal year 2005-06.

This bill also provides for the Commissioner of Education to establish a transition adjustment through fiscal year 2009-10 for municipalities that experience an adverse fiscal impact as a result of the phase-in of the essential programs and services model and the local cost share expectation method of determining the local contribution of funding essential programs and services. This bill requires the transition adjustment amount to decline in each successive year through fiscal year 2009-10. Since this legislation does not specify the transition amounts for fiscal year 2005-06 through fiscal year 2009-10, this fiscal note assumes that the transition adjustment declines evenly over the 5-year period. This fiscal note also assumes that the transition adjustment amounts are included in the estimated General Fund appropriation amounts needed to fund K-12 education based on the Essential Programs and Services model in this measure, thereby affecting the distribution among individual school units. The impact to each local school unit can not be determined at this time.

Additional costs to the Department of Education, the State Planning Office, the Bureau of the Budget and Maine Revenue Services to serve on the Municipal Budget Analysis Committee and to prepare the required report can be absorbed utilizing existing budgeted resources.

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 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 based on the State's contribution reaching 50% in fiscal year 2009-10, as approved in Public Law 2003, c. 504, versus the 55% State contribution by fiscal year 2009-10 proposed in this legislation.

**State and Local Cost to Fund K-12 Public Education
Utilizing the Essential Programs and Services Model
Comparison of 50% State Contribution vs. 55% by FY 2009-10**

	Base Year <u>2003-04*</u>	<u>2004-05*</u>	Projections <u>2005-06</u>	Projections <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 approved in P.L. 2003, c. 504	1,015,819,375	1,033,413,982	1,066,905,558	1,131,428,894
Total State & Local cost based on EPS funding model approved in P.L. 2003, c. 504 (includes program costs, debt service and adjustments)	1,467,408,432	1,518,173,106	1,537,199,970	1,618,879,5.
State Share Targets to fund K-12 education based on EPS model approved in P.L. 2003, c. 504	49.89%	47.81%	49.00%	49.25%
State Share Targets to fund K-12 education based on EPS model in LD 1924	49.89%	47.81%	52.60%	52.60%
Estimated General Fund appropriation needed to fund K-12 education based on EPS model approved in P.L. 2003, c. 504			753,227,985	797,298,197
Estimated General Fund appropriation needed to fund K-12 education based on LD 1924			808,567,184	851,530,664
Additional General Fund Appropriation required to fund EPS model in LD 1924 vs. P.L. 2003, c. 504			55,339,199	54,232,466

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