

MAINE STATE LEGISLATURE

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DATE: 1/17/05

(Filing No. H- 1)

PROPERTY TAX REFORM

MAJORITY

Reproduced and distributed under the direction of the Clerk of the House.

STATE OF MAINE
HOUSE OF REPRESENTATIVES
122ND LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 6, L.D. 1, Bill, "An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels"

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. 5 MRSA §1511, as amended by PL 2003, c. 451, Pt. X, §1, is further amended to read:

§1511. Loan Insurance Reserve

The State Controller shall, at the close of each fiscal year, transfer 16% of the Unappropriated Surplus of the General Fund to the Reserve for General Fund Operating Capital until a maximum of \$50,000,000 is achieved. The State Controller is further authorized may, at the close of each fiscal year, to transfer from the Unappropriated Surplus of the General Fund to the Loan Insurance Reserve amounts as may be available from time to time, up to an amount of \$1,000,000 per year after the transfers have been made pursuant to section 1507. The balance of this reserve must be paid to the Finance Authority of Maine if such payment does not cause the balance in the reserve fund maintained by the authority, when added to amounts held in the Finance Authority of Maine Mortgage Insurance Fund that are not committed or encumbered for another purpose, to exceed \$35,000,000. Any balance in the Loan Insurance Reserve is appropriated for this purpose.

COMMITTEE AMENDMENT

2 **Sec. A-2. 5 MRSA §1513**, as amended by PL 2003, c. 451, Pt. X,
§§2 to 4, is repealed.

4 **Sec. A-3. 5 MRSA §1517**, as amended by PL 2003, c. 451, Pt. X,
§6, is repealed.

6 **Sec. A-4. 5 MRSA §1518-A** is enacted to read:

8
10 **§1518-A. Tax Relief Fund for Maine Residents**

12 **1. Tax Relief Fund for Maine Residents.** There is created
the Tax Relief Fund for Maine Residents, which must be used to
provide tax relief to residents of the State. The fund consists
14 of all resources transferred to the fund under section 1536 and
other resources made available to the fund.

16 **2. Nonlapsing fund.** Any unexpended balance in the Tax
18 Relief Fund for Maine Residents may not lapse but must be carried
forward to be used pursuant to subsection 1.

20 **Sec. A-5. 5 MRSA c.142** is enacted to read:

22 **CHAPTER 142**

24 **MAINE BUDGET STABILIZATION FUND**

26 **§1531. Definitions**

28 As used in this chapter, unless the context otherwise
30 indicates, the following terms have the following meanings.

32 **1. Average population growth.** "Average population growth"
means the average for the prior 10 calendar years, ending with
34 the most recent calendar year for which data is available, of the
percent change in population from July 1st of each year and
36 estimated by the United States Department of Commerce, Bureau of
Census as adjusted and maintained by the Executive Department,
38 State Planning Office.

40 **2. Average real personal income growth.** "Average real
personal income growth" means the average for the prior 10
42 calendar years, ending with the most recent calendar year for
which data is available, of the percent change in personal income
44 in this State, as estimated by the United States Department of
Commerce, Bureau of Economic Analysis, less the percent change in
46 the Consumer Price Index for the calendar year. For purposes of
this subsection, "Consumer Price Index" has the same meaning as
48 in Title 36, section 5402, subsection 1.

50 **3. Baseline General Fund revenue.** "Baseline General Fund
revenue" means the recommended General Fund revenue forecast

2 reported by the Revenue Forecasting Committee in its December 1st
3 report of even-numbered years, increased by the estimated amount
4 of net General Fund revenue decrease, if any, for all enacted
5 changes reducing state and local tax burden included in that
6 forecast.

7 4. Biennial base year appropriation. "Biennial base year
8 appropriation" means:

10 A. For the 2006-2007 biennium, the General Fund
11 appropriation enacted for fiscal year 2004-05 as of December
12 1, 2004; and

14 B. For subsequent fiscal years, the amount of the General
15 Fund appropriation limitation for the current year as of
16 December 1st of even-numbered years.

18 5. Commissioner. "Commissioner" means the Commissioner of
19 Administrative and Financial Services.

20 6. Forecasted inflation. "Forecasted inflation" means the
21 average amount of change of the Consumer Price Index for the
22 calendar years that are part of the ensuing biennium forecasted
23 by the Consensus Economic Forecasting Commission in its November
24 1st report of even-numbered years.

26 7. General Fund revenue shortfall. "General Fund revenue
27 shortfall" means the amount by which the General Fund
28 appropriation limitation established by section 1534 exceeds
29 baseline General Fund revenue and other available resources in
30 each state fiscal year.

32 8. Stabilization fund. "Stabilization fund" means the
33 Maine Budget Stabilization Fund established in this chapter.

36 9. State and local tax burden. "State and local tax
37 burden" means the total amount of state and local taxes paid by
38 Maine residents, per \$1,000 of income, as determined annually by
39 the State Tax Assessor based on data from the United States
40 Department of Commerce, Bureau of Census and Bureau of Economic
41 Analysis.

42 **§1532. Maine Budget Stabilization Fund**

44 1. Generally; stabilization fund established. The Maine
45 Budget Stabilization Fund is hereby established. Amounts in the
46 stabilization fund may not exceed 12% of total General Fund
47 revenues in the immediately preceding state fiscal year and,
48

2 except as provided by section 1533, may not be reduced below 1%
3 of total General Fund revenue in the immediately preceding state
4 fiscal year. For the purposes of this subsection, at the close
5 of a fiscal year, "immediately preceding state fiscal year" means
6 the fiscal year that is being closed.

7 2. Expenditures from fund. Except as otherwise provided in
8 this section, amounts in the stabilization fund may be expended
9 only to offset a General Fund revenue shortfall.

10 3. Fund to be nonlapsing. The balance of the stabilization
11 fund may not lapse but must be carried forward to carry out the
12 purposes of this chapter.

13 4. Investment of funds. The money in the stabilization fund
14 may be invested as provided by law with the earnings credited to
15 the stabilization fund.

16 5. Investment proceeds; exception. At the close of every
17 month during which the stabilization fund is at the 12%
18 limitation described in subsection 1, the State Controller shall
19 transfer from the General Fund to the Retirement Allowance Fund
20 established in section 17251 an amount equal to the investment
21 earnings that otherwise would have been credited to the
22 stabilization fund.

23 6. Death benefits. The Governor shall allocate funds from
24 the stabilization fund as needed to pay benefits due pursuant to
25 Title 25, chapter 195-A. Allocations may be made upon written
26 request of the Chief of the State Police, the State Fire Marshal
27 or the Director of Maine Emergency Medical Services and after
28 consultation with the State Budget Officer.

29 **§1533. Declaration of budget emergency**

30 If the Legislature has adjourned sine die prior to the close
31 of a fiscal year and the commissioner has provided notification
32 as required by section 1668 that indicates that available General
33 Fund resources will not be sufficient to meet General Fund
34 expenditures, the commissioner may declare a budget emergency.
35 At the close of the fiscal year, the State Controller may
36 transfer from the available balance in the stabilization fund to
37 the General Fund Unappropriated Surplus up to the amount
38 necessary to increase total General Fund resources for that
39 fiscal year to be equal to General Fund expenditures. For the
40 purposes of this section, the Governor may reduce the
41 stabilization fund below the 1% minimum threshold established by
42 section 1532. The Governor shall inform the Legislative Council
43 and the joint standing committee of the Legislature having

jurisdiction over appropriations and financial affairs immediately upon such transfers from the stabilization fund.

§1534. General Fund appropriation limitation

1. Establishment of General Fund appropriation limitation.

As of December 1st of each even-numbered year, there must be established a General Fund appropriation limit for the ensuing biennium. The General Fund appropriation limit applies to all General Fund appropriations, except that the additional cost for essential programs and services for kindergarten to grade 12 education under Title 20-A, chapter 606-B over the fiscal year 2004-05 appropriation for general purpose aid for local schools is excluded from the General Fund appropriation limitation until the state share of that cost reaches 55% of the total state and local cost.

A. For the first fiscal year of the biennium, the General Fund appropriation limitation is equal to the biennial base year appropriation multiplied by one plus the growth limitation factor in subsection 2.

B. For the 2nd year of the biennium, the General Fund appropriation limit is the General Fund appropriation limitation of the first year of the biennium multiplied by one plus the growth limitation factor in subsection 2.

2. Growth limitation factor. The growth limitation factor is calculated as follows.

A. For fiscal years when the State Tax Assessor has determined that the state and local tax burden ranks in the highest 1/3 of all states, the growth limitation factor is average real personal income growth, but no more than 2.75%, plus average population growth.

B. For fiscal years when the state and local tax burden ranks in the middle 1/3 of all states, as determined by the State Tax Assessor, the growth limitation factor is average real personal income growth plus forecasted inflation plus average population growth.

3. Exceeding General Fund appropriation limitation; extraordinary circumstances. The General Fund appropriation limitation established in subsection 1 may be exceeded for extraordinary circumstances only under the following circumstances.

A. The extraordinary circumstances must be circumstances outside the control of the Legislature, including:

2 (1) Catastrophic events such as natural disaster,
terrorism, fire, war and riot;

4 (2) Unfunded or underfunded state or federal mandates;

6 (3) Citizens' initiatives or other referenda;

8 (4) Court orders or decrees; or

10 (5) Loss of federal funding.

12 Extraordinary circumstances do not include changes in
economic conditions, revenue shortfalls, increases in
14 salaries or benefits, new programs or program expansions
that go beyond existing program criteria and operation.

16 B. The appropriation limitation in subsection 1 may be
exceeded only by a vote of both Houses of the Legislature in
18 a separate measure that identifies the extraordinary
circumstance and the intent of the Legislature to exceed the
20 appropriation limitation.

22 C. Exceeding the appropriation limitation established in
subsection 1 permits appropriations to exceed the
24 appropriation limitation only for the period necessary to
address the extraordinary circumstance and does not increase
26 the base for purposes of calculating the appropriation
28 limitation for future years.

30 4. Increase in appropriation limitation. The appropriation
limitation established in subsection 1 may be increased for other
32 purposes only by a vote of both Houses of the Legislature in a
separate measure that identifies the intent of the Legislature to
34 exceed the appropriation limitation.

36 **§1535. General Fund transfers to stabilization fund**

38 Baseline General Fund revenue, as recommended by the Revenue
Forecasting Commission and authorized in accordance with chapter
40 151-B, and other available budgeted General Fund resources that
exceed the General Fund appropriation limitation established by
42 section 1534 must be transferred to the stabilization fund. The
State Controller, at the close of each fiscal year, shall
44 transfer the available balance remaining in the General Fund to
the stabilization fund after all required deductions of
46 appropriations, budgeted financial commitments and other
adjustments considered necessary by the State Controller.

48 **§1536. Excess General Fund revenues**

50

2 1. First priority reserve. The State Controller shall, as
4 the first priority at the close of each fiscal year, reserve from
6 the unappropriated surplus of the General Fund an amount equal to
8 the excess of total baseline General Fund revenue received over
10 accepted estimates in that fiscal year and transfer that amount
12 at the beginning of the next fiscal year as follows:

8 A. Thirty-two percent to the stabilization fund;

10 B. Thirty-two percent to the Retirement Allowance Fund
12 established in section 17251; and

14 C. Sixteen percent to the Reserve for General Fund
16 Operating Capital.

16 2. Additional transfer. At the close of each fiscal year,
18 the State Controller shall transfer from the unappropriated
20 surplus of the General Fund to the stabilization fund an amount
22 equal to the balance remaining of the excess of total General
24 Fund revenue received over accepted estimates in that fiscal year
that would have been transferred to the Reserve for General Fund
Operating Capital pursuant to paragraph C had the Reserve for
General Fund Operating Capital not been at its statutory limit of
\$50,000,000.

26 3. Exceptions; stabilization fund at limit. If the
28 stabilization fund is at its limit of 12% of General Fund revenue
30 of the immediately preceding year, then amounts that would
32 otherwise have been transferred to the stabilization fund
pursuant to subsections 1 and 2 must be transferred to the Tax
Relief Fund for Maine Residents established in section 1518-A.

34 **Sec. A-6. 5 MRSA §1664, last ¶,** as enacted by PL 2003, c. 451,
Pt. X, §8, is amended to read:

36 The total General Fund appropriation for each fiscal year of
38 the biennium in the Governor's budget submission to the
40 Legislature may not exceed the General Fund appropriation of the
42 previous fiscal year multiplied by one plus the average real
44 personal income growth rate, as defined in section 1665,
46 subsection 1, plus the average forecasted inflation rate
48 limitation established in section 1534. For purposes of this
50 paragraph, "average forecasted inflation rate" means the average
forecasted change in the Consumer Price Index underlying the
revenue projections developed by the Revenue Forecasting
Committee pursuant to chapter 151-B. This appropriation
limitation may be exceeded only by the amount of the additional
costs or the lost federal revenue from the following exceptional
circumstances: unfunded or underfunded new federal mandates;
losses in federal revenues or other revenue sources; citizens'
initiatives or referenda that require increased state spending;

~~court orders or decrees that require additional state resources to comply with the orders or decrees, and sudden or significant increases in demand for existing state services that are not the result of legislative changes that increased eligibility or increased benefits. The Governor may designate exceptional circumstances that are not explicitly defined in this paragraph but meet the intent of this paragraph. For purposes of this paragraph, "exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.~~

14 **Sec. A-7. 5 MRSA §1665, sub-§1**, as amended by PL 2003, c. 451,
Pt. X, §9, is further amended to read:

16 **1. Expenditure and appropriation requirements.** On or
18 before September 1st of the even-numbered years, all departments
and other agencies of the State Government and corporations and
20 associations receiving or desiring to receive state funds under
the provisions of law shall prepare, in the manner prescribed by
22 and on blanks furnished them by the State Budget Officer, and
submit to the officer estimates of their expenditure and
24 appropriation requirements for each fiscal year of the ensuing
biennium contrasted with the corresponding figures of the last
26 completed fiscal year and the estimated figures for the current
fiscal year. The total General Fund appropriation requests
28 submitted by each department and agency for each fiscal year may
not exceed the General Fund appropriation of the previous fiscal
30 year multiplied by one plus the average real personal income
growth rate or 2.75%, whichever is less. For purposes of this
32 subsection, "average real personal income growth rate" means the
average for the prior 10 calendar years, ending with the most
34 recent calendar year for which data is available, of the percent
change in personal income in this State for a calendar year, as
36 estimated by the United States Department of Commerce, Bureau of
Economic Analysis, less the percent change in the Consumer Price
38 Index for that calendar year. For purposes of this subsection,
"Consumer Price Index" has the same meaning as in Title 36,
40 section 5402, subsection 1. The expenditure estimates shall must
be classified to set forth the data by funds, organization units,
42 character and objects of expenditure. The organization units may
be subclassified by functions and activities, or in any other
44 manner, at the discretion of the State Budget Officer.

46 All departments and other agencies receiving or desiring to
receive state funds from the Highway Fund shall submit to the
48 officer estimates of their expenditure and appropriation
requirements for each fiscal year of the ensuing biennium that do
50 not exceed the Highway Fund appropriation of the previous fiscal

2 year multiplied by one plus the average real personal income
3 growth rate or 2.75%, whichever is less. The Highway Fund
4 highway and bridge improvement accounts are exempt from this
5 spending limitation.

6 **Sec. A-8. 5 MRSA §1710-F, sub-§4** is enacted to read:

8 **4. Appropriation limitation.** The committee shall make all
9 determinations necessary to make the appropriation limitation
10 calculations required under chapter 142.

12 **Sec. A-9. 5 MRSA §13063-C, sub-§4, ¶B,** as amended by PL 2003,
13 c. 451, Pt. X, §10, is further amended to read:

14 B. Notwithstanding section 1585, any balance remaining in
15 the program after July 31, 2007 must be transferred to the
16 Maine Budget Stabilization Fund as established in section
17 ~~1513~~ 1532.

20 **Sec. A-10. 5 MRSA §17253, sub-§3,** as enacted by PL 1995, c.
21 464, §15, is amended to read:

22 **3. Components of unfunded liability contribution.** The
23 annual valuation report prepared by the actuary in accordance
24 with section 17107 must include identification of the impact on
25 the employer contribution rate of any excess General Fund
26 revenues transferred to the Retirement Allowance Fund pursuant to
27 section ~~1517~~ 1532.

30 **Sec. A-11. 5 MRSA §22001, sub-§13,** as enacted by PL 2001, c.
31 439, Pt. T, §5, is amended to read:

32 **13. Trust fund.** "Trust fund" means the Baxter Compensation
33 Authority Other Special Revenue Fund account authorized pursuant
34 to former section 1513, subsection 1-T, ~~or its successor.~~

36 **Sec. A-12. 25 MRSA §1612, sub-§7,** as amended by PL 2003, c.
37 451, Pt. X, §13, is further amended to read:

40 **7. Payment from the Maine Budget Stabilization Fund.**
41 Benefits are payable from the Maine Budget Stabilization Fund as
42 provided in Title 5, section ~~1513~~ 1532, subsection 6.

44 **Sec. A-13. Transition; stabilization fund.** Any money in the Maine
45 Budget Stabilization Fund on the effective date of this Act is
46 deemed to be in the Maine Budget Stabilization Fund as
47 reconstituted by this Act.

48

Sec. A-14. Application of appropriation limit; 2006-2007 biennium.

This Part applies to fiscal biennia beginning on or after July 1, 2005. The appropriation limit for the 2006-2007 biennium must be established based on the status of the factors for calculating the growth limitations as of December 1, 2004.

PART B

Sec. B-1. 30-A MRSA §706-A is enacted to read:

§706-A. Limitation on county assessments

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

A. "Average real personal income growth" means the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in this State, as estimated by the United States Department of Commerce, Bureau of Economic Analysis, less the percent change in the Consumer Price Index for the calendar year. For purposes of this subsection, "Consumer Price Index" has the same meaning as in Title 36, section 5402, subsection 1.

B. "County assessment" means total annual county appropriations reduced by all resources available to fund those appropriations other than the county tax.

C. "Forecasted inflation" means the average amount of change of the Consumer Price Index for the calendar years that are part of the ensuing biennium forecasted by the Consensus Economic Forecasting Commission in its November 1st report of even-number years.

D. "Property growth factor" means the percentage equivalent to a fraction established by a county, whose denominator is the total valuation of all municipalities, plantations and unorganized territory in the county, and whose numerator is the amount of increase in the assessed valuation of any real or personal property in those jurisdictions that became subject to taxation for the first time, or taxed as a separate parcel for the first time for the most recent property tax year for which information is available, or that has had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or expansion of the property.

E. "State and local tax burden" means the total amount of state and local taxes paid by Maine residents per \$1,000 of

2 income, as determined annually by the State Tax Assessor
3 based on data from the United States Department of Commerce,
4 Census Bureau and Bureau of Economic Analysis.

6 2. County assessment limit. Except as otherwise provided
7 in this section, a county may not in any year adopt a county
8 assessment that exceeds the county assessment limit established
9 in this subsection.

10 A. The county assessment limit for the first fiscal year
11 for which this section is effective is the county assessment
12 for the county for the immediately preceding fiscal year
13 multiplied by one plus the growth limitation factor pursuant
14 to subsection 3.

16 B. The county assessment limit for subsequent fiscal years
17 is the county assessment limit for the preceding year
18 multiplied by the growth limitation factor pursuant to
19 subsection 3.

20 C. If a previous year's county assessment reflects the
21 effect of extraordinary, nonrecurring events, the county may
22 submit a written notice to the State Tax Assessor requesting
23 an adjustment in its county assessment limit.

26 3. Growth limitation factor. The growth limitation factor
27 is calculated as follows.

28 A. For fiscal years when the State Tax Assessor has
29 determined that the state and local tax burden ranks in the
30 highest 1/3 of all states, the growth limitation factor is
31 average real personal income growth but no more than 2.75%,
32 plus the property growth factor.

34 B. For fiscal years when the state and local tax burden
35 ranks in the middle 1/3 of all states, as determined by the
36 State Tax Assessor, the growth limitation factor is the
37 average real personal income growth plus forecasted
38 inflation plus the property growth factor.

40 4. Adjustment for new state funding. If the State
41 provides net new funding to a county for existing services funded
42 in whole or in part by the county assessment, other than required
43 state mandate funds pursuant to section 5685 that do not displace
44 current county assessment expenditures, the county shall lower
45 its county assessment limit in that year in an amount equal to
46 the net new funds. For purposes of this subsection, "net new
47 funds" means the amount of funds received by the county from the
48 State in that fiscal year, with respect to services funded in
49 whole or in part by the county assessment, less the product of
50 the following: the amount of such funds received in the prior
51 fiscal year multiplied by the growth limitation factor described
52 in this subsection.

2 in subsection 3. If a county receives net new funds in any
3 fiscal year for which its county assessment limit has not been
4 adjusted as provided in this subsection, the county shall adjust
5 its county assessment limit in the following year in an amount
6 equal to the net new funds.

7 5. Exceeding county assessment limit; extraordinary
8 circumstances. The county assessment limit established in
9 subsection 2 may be exceeded for extraordinary circumstances only
10 under the following circumstances.

11 A. The extraordinary circumstances must be circumstances
12 outside the control of the county budget authority,
13 including:

14 (1) Catastrophic events such as natural disaster,
15 terrorism, fire, war or riot;

16 (2) Unfunded or underfunded state or federal mandates;

17 (3) Citizens' initiatives or other referenda;

18 (4) Court orders or decrees; or

19 (5) Loss of state or federal funding.

20 Extraordinary circumstances do not include changes in
21 economic conditions, revenue shortfalls, increases in
22 salaries or benefits, new programs or program expansions
23 that go beyond existing program criteria and operation.

24 B. The county assessment limit may be exceeded only as
25 provided in subsection 7.

26 C. Exceeding the county assessment limit established in
27 subsection 2 permits the county assessment to exceed the
28 county assessment limit only for the year in which the
29 extraordinary circumstance occurs and does not increase the
30 base for purposes of calculating the county assessment limit
31 for future years.

32 6. Increase in county assessment limit. The county
33 assessment limit established in subsection 2 may be increased for
34 other purposes only as provided in subsection 7.

35 7. Process for exceeding county assessment limit. A county
36 may exceed or increase the county assessment limit only if
37 approved by a vote of a majority of all the members of both the
38 county budget committee or county budget advisory committee and
39 the county commissioners.

2 Unless a county charter otherwise provides or prohibits a
3 petition and referendum process, if a written petition, signed by
4 at least 10% of the number of voters voting in the last
5 gubernatorial election in the county, requesting a vote on the
6 question of exceeding the county assessment limit is submitted to
7 the county commissioners within 30 days of the commissioners'
8 vote pursuant to this subsection, the article voted on by the
9 commissioners must be submitted to the legal voters in the next
10 regular election or a special election called for that purpose.
11 The election must be called, advertised and conducted according
12 to the law relating to municipal elections, except that the
13 registrar of voters is not required to prepare or the clerk to
14 post a new list of voters. For the purpose of registration of
15 voters, the registrar of voters must be in session the secular
16 day preceding the election. The voters shall indicate by a cross
17 or check mark placed against the word "Yes" or "No" their opinion
18 on the article. The results must be declared by the county
19 commissioners and entered upon the county records.

20 **8. Treatment of surplus; reserves.** Any county tax revenues
21 collected by a county in any fiscal year in excess of its county
22 assessment limit, as determined by a final audited accounting,
23 must be transferred to a county tax relief fund, which each
24 county must establish, and used to reduce county assessments in
25 subsequent fiscal years. Nothing in this subsection limits the
26 ability of a county to maintain adequate reserves.

27 **9. Enforcement.** If a county adopts a county assessment in
28 violation of this section, the State Tax Assessor may require the
29 county to adjust its county assessment downward in an amount
30 equal to the illegal county assessment and impose such other
31 penalties as the Legislature may provide.

32 **Sec. B-2. Application.** This Part applies to county fiscal
33 years that begin on or after July 1, 2005.

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36
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38 **PART C**

39 **Sec. C-1. 30-A MRSA §5721-A is enacted to read:**

40 **§5721-A. Limitation on municipal property tax levy**

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

44 A. "Average real personal income growth" means the average
45 for the prior 10 calendar years, ending with the most recent
46

2 calendar year for which data is available, of the percent
3 change in personal income in this State, as estimated by the
4 United States Department of Commerce, Bureau of Economic
5 Analysis, less the percent change in the Consumer Price
6 Index for the calendar year. For purposes of this
7 subsection, "Consumer Price Index" has the same meaning as
8 in Title 36, section 5402, subsection 1.

9
10 B. "Forecasted inflation" means the average amount of
11 change of the Consumer Price Index for the calendar years
12 that are part of the ensuing biennium forecasted by the
13 Consensus Economic Forecasting Commission in its November
14 1st report of even-number years.

15
16 C. "Property growth factor" means the percentage equivalent
17 to a fraction established by a municipality, whose
18 denominator is the total valuation of the municipality, and
19 whose numerator is the amount of increase in the assessed
20 valuation of any real or personal property in the
21 municipality that became subject to taxation for the first
22 time, or taxed as a separate parcel for the first time for
23 the most recent property tax year for which information is
24 available, or that has had an increase in its assessed
25 valuation over the prior year's valuation as a result of
26 improvements to or expansion of the property.

27
28 D. "Property tax levy" means the total annual municipal
29 appropriations, excluding assessments properly issued by a
30 county of which the municipality is a member and amounts
31 governed by and appropriated in accordance with Title 20-A,
32 chapter 606-B, appropriated as the local share of the cost
33 of essential programs and services under Title 20-A, chapter
34 606-B, to pay assessments properly issued by a school
35 administrative unit or tuition for students or amounts
36 attributable to a tax increment financing district agreement
37 or similar special tax district, reduced by all resources
38 available to fund those appropriations other than the
39 property tax.

40 E. "State and local tax burden" means the total amount of
41 state and local taxes paid by Maine residents per \$1,000 of
42 income, as determined annually by the State Tax Assessor
43 based on data from the United States Department of Commerce,
44 Census Bureau and Bureau of Economic Analysis.

45
46 2. **Property tax levy limit.** Except as otherwise provided
47 in this section, a municipality may not in any year adopt a
48 property tax levy that exceeds the property tax levy limit
49 established in this subsection.

50

2 A. The property tax levy limit for the first fiscal year
3 for which this section is effective is the property tax levy
4 for the municipality for the immediately preceding fiscal
5 year multiplied by one plus the growth limitation factor
6 pursuant to subsection 3.

7 B. The property tax levy limit for subsequent fiscal years
8 is the property tax levy limit for the preceding year
9 multiplied by the growth limitation factor pursuant to
10 subsection 3.

11 C. If a previous year's property tax levy reflects the
12 effect of extraordinary, nonrecurring events, the
13 municipality may submit a written notice to the State Tax
14 Assessor requesting an adjustment in its property tax levy
15 limit.

16
17 3. Growth limitation factor. The growth limitation factor
18 is calculated as follows.

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20
21 A. For fiscal years when the State Tax Assessor has
22 determined that the state and local tax burden ranks in the
23 highest 1/3 of all states, the growth limitation factor is
24 average real personal income growth but no more than 2.75%,
25 plus the property growth factor.

26
27 B. For fiscal years when the state and local tax burden
28 ranks in the middle 1/3 of all states, as determined by the
29 State Tax Assessor, the growth limitation factor is the
30 average real personal income growth plus forecasted
31 inflation plus the property growth factor.

32
33 4. Adjustment for new state funding. If the State
34 provides net new funding to a municipality for existing services
35 funded in whole or in part by the property tax levy, other than
36 required state mandate funds pursuant to section 5685 that do not
37 displace current property tax expenditures, the municipality
38 shall lower its property tax levy limit in that year in an amount
39 equal to the net new funds. For purposes of this subsection,
40 "net new funds" means the amount of funds received by the
41 municipality from the State in that fiscal year, with respect to
42 services funded in whole or in part by the property tax levy,
43 less the product of the following: the amount of such funds
44 received in the prior fiscal year multiplied by the growth
45 limitation factor described in subsection 3. If a municipality
46 receives net new funds in any fiscal year for which its property
47 tax levy limit has not been adjusted as provided in this
48 subsection, the municipality shall adjust its property tax levy
49 limit in the following year in an amount equal to the net new
50 funds.

2 5. Exceeding property tax levy limit; extraordinary
3 circumstances. The property tax levy limit established in
4 subsection 2 may be exceeded for extraordinary circumstances only
5 under the following circumstances.

6 A. The extraordinary circumstances must be circumstances
7 outside the control of the municipal legislative body,
8 including:

9 (1) Catastrophic events such as natural disaster,
10 terrorism, fire, war or riot;

11 (2) Unfunded or underfunded state or federal mandates;

12 (3) Citizens' initiatives or other referenda;

13 (4) Court orders or decrees; or

14 (5) Loss of state or federal funding.

15 Extraordinary circumstances do not include changes in
16 economic conditions, revenue shortfalls, increases in
17 salaries or benefits, new programs or program expansions
18 that go beyond existing program criteria and operation.

19 B. The property tax levy limit may be exceeded only as
20 provided in subsection 7.

21 C. Exceeding the property tax levy limit established in
22 subsection 2 permits the property tax levy to exceed the
23 property tax levy limit only for the year in which the
24 extraordinary circumstance occurs and does not increase the
25 base for purposes of calculating the property tax levy limit
26 for future years.

27 6. Increase in property tax levy limit. The property tax
28 levy limit established in subsection 2 may be increased for other
29 purposes only as provided in subsection 7.

30 7. Process for exceeding property tax levy limit. A
31 municipality may exceed or increase the property tax levy limit
32 only by the following means.

33 A. If the municipal budget is adopted by town meeting or by
34 referendum, the property tax levy limit may be exceeded by
35 the same process that applies to adoption of the municipal
36 budget except that the vote must be by written ballot on a
37 separate article that specifically identifies the intent to
38 exceed the property tax levy limit.

2 B. If the municipal budget is adopted by a town council or
4 city council, the property tax levy limit may be exceeded
6 only by a majority vote of all the elected members of the
8 town council or city council on a separate article that
10 specifically identifies the intent to exceed the property
12 tax levy limit. Unless a municipal charter otherwise
14 provides or prohibits a petition and referendum process, if
16 a written petition, signed by at least 10% of the number of
18 voters voting in the last gubernatorial election in the
20 municipality, requesting a vote on the question of exceeding
22 the property tax levy limit is submitted to the municipal
24 officers within 30 days of the council's vote pursuant to
26 this paragraph, the article voted on by the council must be
 submitted to the legal voters in the next regular election
 or a special election called for that purpose. The election
 must be called, advertised and conducted according to the
 law relating to municipal elections, except that the
 registrar of voters is not required to prepare or the clerk
 to post a new list of voters. For the purpose of
 registration of voters, the registrar of voters must be in
 session the secular day preceding the election. The voters
 shall indicate by a cross or check mark placed against the
 word "Yes" or "No" their opinion on the article. The
 results must be declared by the municipal officers and
 entered upon the municipal records.

28 8. Treatment of surplus; reserves. Any property tax
30 revenues collected by a municipality in any fiscal year in excess
32 of its property tax levy limit, as determined by a final audited
34 accounting, must be transferred to a property tax relief fund,
 which each municipality must establish, and used to reduce
 property tax levies in subsequent fiscal years. Nothing in this
 subsection limits the ability of a municipality to maintain
 adequate reserves pursuant to section 5801.

36 9. Fractional divisions. A municipality may, consistent
38 with Title 36, section 710, exceed its property tax levy limit in
40 such reasonable amount as necessary to avoid fractional divisions.

42 10. Enforcement. If a municipality adopts a property tax
44 levy in violation of this section, the State Tax Assessor may
 require the municipality to adjust its property tax levy downward
 in an amount equal to the illegal property tax levy and impose
 such other penalties as the Legislature may provide.

46 Sec. C-2. 30-A MRSA §7102, as enacted by PL 1987, c. 737,
48 Pt. A, §2 and Pt. C, §106 and amended by PL 1989, c. 6; c. 9, §2;
50 and c. 104, Pt. C, §§8 and 10, is further amended by adding at
 the end a new paragraph to read:

2 The property tax levy limits set forth in section 5721-A
4 apply to the budgets and property tax levies of plantations.

6 **Sec. C-3. Application.** This Part applies to municipal fiscal
8 years that begin on or after July 1, 2005.

10 **PART D**

12 **Sec. D-1. 5 MRSA §17154, sub-§6, ¶E,** as amended by PL 2003, c.
14 504, Pt. B, §1, is further amended to read:

16 E. Notwithstanding this section, the employer retirement
18 costs related to the retirement system applicable to those
20 teachers whose funding is provided directly or through
22 reimbursement from private or public grants must be paid by
24 local school systems from those funds. "Public grants" does
26 not include state or local funds provided to school
28 administrative units under Title 20-A, chapters 315~~7~~-606 and
30 606-B.

32 **Sec. D-2. 20-A MRSA §1, sub-§§17 and 18,** as amended by PL
34 1999, c. 75, §1, are further amended to read:

36 **17. Major capital costs.** "Major capital costs" is defined
38 in section ~~156037~~-~~subsection-17~~ 15672, subsection 18-A.

40 **18. Minor capital costs.** "Minor capital costs" is defined
42 in section ~~156037~~-~~subsection-18~~ 15672, subsection 20-A.

44 **Sec. D-3. 20-A MRSA §1301, sub-§1, ¶A,** as amended by PL 1993,
46 c. 410, Pt. F, §3, is further amended to read:

48 A. Under a property valuation method, municipalities in a
district shall share costs in the same proportion as each
municipality's fiscal capacity as defined in section ~~156037~~
~~subsection-11-A~~ 15672, subsection 23 is to the district's
fiscal capacity.

Sec. D-4. 20-A MRSA §1301, sub-§1, ¶B, as amended by PL 2001,
c. 375, §1, is further amended to read:

B. Under an alternate plan approved by the state board and
by a vote of the legislative bodies of the school
administrative units forming the district and based on:

- (1) The number of resident pupils in each town;

2 (2) The fiscal capacity of each member municipality as
defined in section ~~15603, ---subsection--11-A~~ 15672,
4 subsection 23;

6 (3) Any combination of subparagraphs (1) and (2); or

8 (4) Any other factor or combination of factors that
may, but need not, include subparagraphs (1) and (2).

10 **Sec. D-5. 20-A MRSA §1307, sub-§3,** as amended by PL 1997, c.
12 68, §1, is further amended to read:

14 3. **Summary action.** To summarize the action taken on the
school budget for the purposes of determining state and local
16 cost sharing, the articles prescribed in chapter ~~606~~ 606-B must
also be voted upon.

18 **Sec. D-6. 20-A MRSA §1307, sub-§4,** as enacted by PL 1997, c.
20 68, §2, is amended to read:

22 4. **Budget explanation.** The warrant may include an
explanation of the relationship between warrant articles
24 authorizing specific line item expenditures as provided in
subsection 1 and the articles prescribed in chapter ~~606~~ 606-B
26 summarizing the budget proposal.

28 **Sec. D-7. 20-A MRSA §1308,** as amended by PL 1999, c. 710,
§6, is further amended to read:

30 **§1308. Failure to pass budget**

32 If a budget for the operating of the district is not
34 approved prior to July 1st, the latest budget as submitted by the
board of directors is automatically considered the budget for
36 operational expenses for the ensuing year until a final budget is
approved, except that, when the school board delays the school
38 budget meeting in accordance with section ~~15617~~ 15693, subsection
2, paragraph C, the operating budget must be approved within 30
40 days of the date the commissioner notifies the school board of
the amount allocated to the school unit under section ~~15613~~
42 15689-B or the latest budget submitted by the directors becomes
the operating budget for the next school year.

44 **Sec. D-8. 20-A MRSA §1311, sub-§1, ¶C,** as amended by PL 1993,
46 c. 372, §4, is further amended to read:

48 C. Minor capital costs as defined in section ~~15603,~~
~~subsection-18~~ 15672, subsection 20-A.

2 **Sec. D-9. 20-A MRSA §1351, sub-§1, ¶K**, as amended by PL 1999,
c. 75, §2, is further amended to read:

4 K. To borrow funds for minor capital costs as defined in
6 section ~~15603~~, ~~subsectien-18~~ 15672, subsection 20-A.

8 **Sec. D-10. 20-A MRSA §1407, sub-§2**, as amended by PL 1999, c.
75, §3, is further amended to read:

10 **2. Expense of keeping the school open.** If the voters vote
12 to keep the school open, the member municipality is liable for
14 some additional expense for actual local operating costs and
16 transportation operating costs as defined in section ~~15603~~
18 15672. The determination of costs is subject to the approval of
20 the commissioner. The cost to be borne by the town voting to
keep an elementary school open is the amount that would be saved
if the school were closed. Any additional costs that must be
borne by the member municipality must be part of the article
presented to the voters at the meeting to determine whether the
school should remain open.

22 **Sec. D-11. 20-A MRSA §1701, sub-§3**, as amended by PL 1991, c.
24 429, §4, is further amended to read:

26 **3. Time and place.** The district school committee shall
28 call an annual budget meeting on or before June 30th at an hour
and in a location within the community school district it
designates, except that the school committee may delay the annual
budget meeting to a date after July 1st in accordance with
section ~~15617~~ 15693, subsection 2, paragraph C.

32 **Sec. D-12. 20-A MRSA §1701, sub-§9, ¶A**, as amended by PL 1999,
34 c. 710, §8, is further amended to read:

36 A. The budget format may be determined by the voters of a
community school district by adoption of an appropriate
warrant article at a properly called election held in
accordance with the procedure set forth in section ~~15617~~
38 15693, subsection 6.

40 **Sec. D-13. 20-A MRSA §1701, sub-§12**, as amended by PL 1999, c.
42 710, §10, is further amended to read:

44 **12. State-local allocations.** To summarize the action taken
46 on the budget for the purposes of determining the community
school district's state-local allocations, the articles
prescribed in chapter ~~606~~ 606-B must also be voted on.

48 **Sec. D-14. 20-A MRSA §1701-B, sub-§5**, as enacted by PL 1999,
50 c. 710, §11, is amended to read:

2 **5. Failure to approve budget.** If the voters do not
4 validate the budget approved in the district budget meeting at
6 the budget validation referendum vote, the district school
8 committee shall hold another district budget meeting in
10 accordance with section 1701, subsection 8 at least 10 days after
12 the referendum to vote on a budget approved by the committee.
14 The budget approved at the district budget meeting must be
16 submitted to the voters for validation at referendum in
18 accordance with this section. The process must be repeated until
20 a budget is approved at a district budget meeting and validated
22 at referendum. If a budget is not approved and validated before
July 1st of each year, the latest budget submitted by the
committee is automatically considered the budget for operational
expenses for the ensuing year until a final budget is approved,
except that when the school committee delays the district budget
meeting in accordance with section ~~15617~~ 15693, subsection 2,
paragraph C the operating budget must be approved within 30 days
of the date the commissioner notifies the school committee of the
amount allocated to the school unit under section ~~15613~~ 15689-B
or the latest budget submitted by the committee becomes the
operating budget for the next school year.

24 **Sec. D-15. 20-A MRSA §1704, sub-§1, ¶B**, as amended by PL 1993,
26 c. 410, Pt. F, §4, is further amended to read:

28 B. The fiscal capacity of each member municipality as
30 defined in section ~~15603,--subsection-11-A~~ 15672, subsection
23;

32 **Sec. D-16. 20-A MRSA §4003-A** is enacted to read:

34 **§4003-A. Hazardous chemicals**

36 The commissioner shall establish rules governing the
purchase and storage of hazardous chemicals in schools.

38 **Sec. D-17. 20-A MRSA §4254, sub-§1**, as amended by PL 1997, c.
40 534, §3, is further amended to read:

42 1. **Allowable costs.** Allowable costs are the cost of
44 implementing approved plans; these costs may be added to the
school unit's subsidizable costs under chapter ~~606~~ 606-B.

46 **Sec. D-18. 20-A MRSA §5401, sub-§15, ¶C**, as amended by PL
2001, c. 667, Pt. C, §11, is further amended to read:

48 C. A school board may obtain a short-term loan or enter
50 into a lease-purchase agreement to acquire school buses if
the loan is approved by the unit's legislative body or if

2 funds that can be used for the initial lease-purchase
3 payment have been appropriated by the unit's legislative
4 body. The term of a loan or a lease-purchase agreement may
5 not exceed 5 years. The commissioner shall establish a
6 maximum amount for annual-term purchases in excess of the
7 amount established in paragraph A. Beginning in fiscal year
8 2003-04 2005-06, these expenditures must be subsidized in
9 accordance with ~~section-15603,--subsection-26-A~~ chapter 606-B.

10 **Sec. D-19. 20-A MRSA §6303**, as enacted by PL 1995, c. 427,
11 §1, is amended to read:

12 **§6303. Medicaid for health and human services**

13 A school administrative unit may receive funds from the
14 Medicaid program pursuant to the United States Social Security
15 Act, 42 United States Code, for the provision of preventive
16 health, health, habilitation, rehabilitation and social services
17 to eligible students ~~in accordance with section-15613,--subsection~~
18 ~~16.~~

19 **Sec. D-20. 20-A MRSA §6651, sub-§3**, as amended by PL 1989, c.
20 414, §16, is repealed.

21 **Sec. D-21. 20-A MRSA §6654**, as amended by PL 1991, c. 550 and
22 PL 2003, c. 689, Pt. B, §6, is further amended to read:

23 **§6654. School-based child care grants**

24 The department and the Department of Health and Human
25 Services are authorized to provide assistance to school
26 administrative units to assist the units in establishing
27 school-based child care services. ~~Any assistance provided must
28 provide funds for 3 years and expenditure of those funds is
29 considered expenditure of local funds in computing the unit's
30 educational program costs in chapter 606. The department has
31 full authority to administer any grant program that it operates
32 under this section.~~

33 **Sec. D-22. 20-A MRSA §7734-A, first ¶**, as repealed and replaced
34 by PL 1999, c. 296, §10, is amended to read:

35 In addition to the programs authorized in this chapter,
36 school administrative units may provide services for children who
37 are disabled in a manner consistent with sections 4251 to 4254,
38 and the cost of such services is subsidizable as special
39 education costs under chapter 606 606-B.

40 **Sec. D-23. 20-A MRSA §8301-A, sub-§§4 and 9**, as enacted by PL
41 1991, c. 518, §2, are amended to read:

2 **4. Municipality.** "Municipality" has the same meaning as in
section ~~15603, subsection 19~~ 15672, subsection 21.

4 **9. State subsidy.** "State subsidy" has the same meaning as
6 in section ~~15603, subsection 26~~ 15672, subsection 31-A.

8 **Sec. D-24. 20-A MRSA §8351,** as amended by PL 1991, c. 518,
§9 and c. 716, §6 and PL 2003, c. 545, §5, is further amended to
10 read:

12 **§8351. State aid for career and technical education centers
and career and technical education regions**

14 State aid for centers and regions must be administered in
16 accordance with chapters ~~606~~ 606-B and 609 and Title 20, section
3457.

18 **Sec. D-25. 20-A MRSA §8402,** as corrected by RR 2003, c. 2,
20 §55, is amended to read:

22 **§8402. Programs**

24 A center shall provide programs of career and technical
education. Programs of career and technical education are
26 eligible to receive state subsidy pursuant to chapters ~~606~~ 606-B
and 609. All programs of career and technical education offered
28 by a center must be approved by the commissioner pursuant to
section 8306-A. The programs must offer a sequence of courses
30 that are directly related to the preparation of individuals for
employment in current or emerging occupations and may include
32 training and education in academic and business skills preparing
students to further their education at the community college or
34 other college level or allowing students to use trade and
occupational skills on other than an employee basis. Programs of
36 career and technical education may also include alternative
educational programs and training and education in music,
38 athletics, art and other activities approved by the commissioner
pursuant to section 8306-A.

40 **Sec. D-26. 20-A MRSA §8404, sub-§3, ¶C,** as corrected by RR
42 2003, c. 2, §59, is amended to read:

44 C. Shall, in the event that the school boards of School
Administrative District No. 27, School Administrative
46 District No. 33 and Madawaska School Department enter into a
cooperative agreement pursuant to section 8401 and a new
48 career and technical education center in Maine School
Administrative District No. 33 becomes operational, devise a
50 cost sharing formula for the center established thereby

2 pertaining to the cost of career and technical education
3 programs that exceed expenditures made for those programs in
4 the base year as adjusted pursuant to section ~~15603~~ 15681-A,
5 subsection ~~5~~ 4 and to the local share of debt service
6 costs attributable to construction of the center in School
7 Administrative District No. 33;

8 **Sec. D-27. 20-A MRSA §8451-A**, as corrected by RR 2003, c. 2,
9 §61, is amended to read:

10 **§8451-A. Programs**

11 A region shall provide programs of career and technical
12 education. Programs of career and technical education are
13 eligible to receive state subsidy pursuant to chapters ~~606~~ 606-B
14 and 609. All programs of career and technical education offered
15 by a region must be approved by the commissioner pursuant to
16 section 8306-A. The programs must offer a sequence of courses
17 that are directly related to the preparation of individuals for
18 employment in current or emerging occupations and may include
19 training and education in academic and business skills preparing
20 students to further their education at the community college or
21 college level or allowing students to use trade and occupational
22 skills on other than an employee basis. Programs of career and
23 technical education may also include alternative educational
24 programs and training and education in music, athletics, art and
25 other activities approved by the commissioner pursuant to section
26 8306-A.
27

28 **Sec. D-28. 20-A MRSA §8601-A, sub-§6**, as enacted by PL 1991,
29 c. 518, §33, is amended to read:

30 **6. Municipality.** "Municipality" has the same meaning as in
31 section ~~15603~~, ~~subsection 19~~ 15672, subsection 21.

32 **Sec. D-29. 20-A MRSA §8605, sub-§2, ¶B**, as amended by PL 1995,
33 c. 665, Pt. J, §1, is further amended to read:

34 B. The unit in which such a person resides must be
35 reimbursed in accordance with ~~chapters 606 and 606-A~~ chapter
36 606-B.

37 **Sec. D-30. 20-A MRSA §8606-A, sub-§2, ¶C**, as amended by PL
38 1991, c. 518, §38, is further amended to read:

39 C. The recommendation in the commissioner's funding level
40 certification must include local program cost adjustment to
41 the equivalent of the year prior to the year of allocation.
42 This adjustment is calculated according to the same
43 guidelines established, for purposes of chapter ~~606~~ 606-B,
44 by section ~~15605~~ 15689-C, subsection 3.
45

2 **Sec. D-31. 20-A MRSA §15622** is enacted to read:

4 **§15622. Repeal**

6 This chapter is repealed July 1, 2005.

8 **Sec. D-32. 20-A MRSA §15671, sub-§1**, as amended by PL 2003, c.
10 712, §9, is further amended to read:

12 **1. State and local partnership.** The State and each local
14 school administrative unit are jointly responsible for
16 contributing to the cost of the components of essential programs
18 and services described in this chapter. Except as otherwise
20 provided in this subsection, for each fiscal year, the total cost
22 of the components of essential programs and services may not
24 exceed the prior fiscal year's costs multiplied by one plus the
26 average real personal income growth rate as defined in Title 5,
28 section 1665, subsection 1, except that in no case may that rate
30 exceed 2.75%. For fiscal years commencing after the state tax
32 burden ranks in the middle 1/3 of all states, as calculated and
34 certified by the State Tax Assessor, the total cost of the
36 components of essential programs and services may not exceed the
 prior fiscal year's costs multiplied by one plus the average real
 personal income growth rate as defined in Title 5, section 1665,
 subsection 1. The Legislature, by an affirmative vote of each
 House, may exceed the limitations on increases in the total cost
 of the components of essential programs and services provided in
 this subsection, as long as that vote is taken upon legislation
 stating that it is the Legislature's intent to override the
 limitation for that fiscal year. 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:

38 A. The level of the state share of funding attributable to
40 the cost of the components of essential programs and
42 services must be at least 50% of eligible state and local
 General Fund education costs statewide, no later than fiscal
 year ~~2007-08~~ 2006-07; and

44 B. By fiscal year ~~2009-10~~ 2008-09 the state share of the
46 total cost of funding public education from kindergarten to
48 grade 12, as described by essential programs and services,
50 must be 55%. Beginning in fiscal year 2005-06 and in each
 fiscal year until fiscal year ~~2009-10~~ 2008-09, the state
 share of essential programs and services described costs
 must increase toward the 55% level required in fiscal year
 ~~2009-10~~ 2008-09.

2 Beginning in fiscal year 2005-06 and in each fiscal year
4 thereafter, the commissioner shall use the funding level
6 determined in accordance with this section as the basis for a
recommended funding level for the state share of the cost of the
components of essential programs and services.

8 **Sec. D-33. 20-A MRSA §15671, sub-§§2, 3, 4 and 6**, as enacted by
10 PL 2001, c. 660, §1, are amended to read:

12 **2. Per-pupil rate amounts.** A per-pupil guarantee rate
14 represents the an amount of funds that is to be made available
16 for each subsidizable pupil. ~~Three per-pupil-guarantee-amounts
18 must-be-calculated,-reflecting-grade-level-cost-differences,-one
20 for-kindergarten-to-grade-5,-one-for-grades-6-to-8-and-one-for
22 grades-9-to-12.-These-per-pupil-guarantees-must-be-modified-as
appropriate-for-special-student-populations.-The-per-pupil
guarantee-represents-the-annual-cost-of-staffing-and-material
resources-that-are-appropriately-allocated-on-a-per-pupil-basis.
Categories-of-staffing-and-resources-are-as-follows: Per-pupil
rates are determined pursuant to section 15676.~~

24 ~~A.--School-personnel,-including-regular-and-special-subject
26 teachers,-educational-technicians,-guidance,-library,-health
services,-school-administration,-support-or-clerical-staff
and-substitute-teachers;~~

28 ~~B.--Supplies-and-equipment;~~

30 ~~C.-----Specialized-----services,-----including-----professional
32 development,---instructional---leadership---support,---student
assessment,-technology-and-ecurricular-and-extracurricular
34 programs;-and~~

36 ~~D.--School-administrative-unit-services,-including-system
administration-and-operation-and-maintenance-of-plant.~~

38 **3. Specialized student populations.** In recognition that
40 educational needs can be more costly for some student populations
42 than for others, ~~modified-per-pupil-guarantee-amounts-or-weighted
44 pupil-counts---must---be---calculated---for---specialized---student
populations~~ special student populations are specifically
addressed in sections 15675 and 15681-A, subsection 2. The
~~specialized-student-populations-to-be-addressed-are:~~

46 ~~A.--Special-education-students;~~

48 ~~B.--Limited-English-proficiency-students;~~

50 ~~C.--Economically-disadvantaged-students;-and~~

2 D. ~~Students in kindergarten to grade 2.~~

4 **4. Educational cost components outside the per-pupil rate.**

6 A per-pupil guarantee rate is not a suitable method for
8 allocation of all educational cost components. These components
10 may include, but are not limited to, debt service,
12 transportation, bus purchases, vocational education, small school
14 adjustments, teacher educational attainment and longevity of
16 service and adjustments to general purpose aid. The funding
18 methodology of these educational cost components must be
20 established based on available research.

14 **6. Targeted funds.** Funds for technology, assessment and
16 the costs of additional investments in educating children in
18 kindergarten to grade 2 as described in section 15681 must be
20 provided as targeted grants. School administrative units shall
22 submit a plan for the use of these funds and shall receive
24 funding based on approval of the plan by the commissioner.

22 **Sec. D-34. 20-A MRSA §15671, sub-§7,** as amended by PL 2003, c.
24 712, §10, is further amended to read:

24 **7. Transition; annual targets.** To achieve the system of
26 school funding based on essential programs and services required
28 by this section, the following annual targets are established.

28 A. The base total calculated pursuant to section 15683,
30 subsection 2 is subject to the following annual targets for
32 ~~the essential programs and services transition percentage,~~
34 ~~excluding program cost allocation, debt service allocation~~
36 ~~and adjustments, are as follows.~~

34 (1) For fiscal year 2005-06, the target is 84%.

36 (2) For fiscal year 2006-07, the target is 88% 90%.

38 (3) For fiscal year 2007-08, the target is 92% 95%.

40 (4) For fiscal year 2008-09 and succeeding years, the
42 target is 96% 100%.

44 ~~(5) For fiscal year 2009-10 and succeeding years, the~~
46 ~~target is 100%.~~

46 B. The annual targets for the state share percentage of the
48 statewide adjusted total cost of the components of essential
50 programs and services are as follows.

50 (1) For fiscal year 2005-06, the target is 52.6%.

2 (2) For fiscal year 2006-07, the target is ~~52.6%~~
3 53.86%.

4 (3) For fiscal year 2007-08, the target is ~~53%~~ 54.44%.

6 (4) For fiscal year 2008-09 and succeeding years, the
8 target is ~~54%~~ 55%.

10 ~~(5) For fiscal year 2009-10 and succeeding years, the~~
11 ~~target is 55%.~~

12 **Sec. D-35. 20-A MRSA §15671-A**, as enacted by PL 2003, c.
14 712, §11, is amended to read:

16 **§15671-A. Property tax contribution to public education**

18 1. **Definitions.** As used in this section, unless the
19 context otherwise indicates, the following terms have the
20 following meanings.

22 A. "Funding public education from kindergarten to grade 12"
23 means providing the cost of funding the essential programs
24 and services described in this chapter plus, including the
25 total allocations for program cost other subsidizable costs,
26 debt service costs and adjustments.

28 B. "Local cost share expectation" means the maximum amount
29 of money for funding public education from kindergarten to
30 grade 12 that may be derived from property tax for the
31 required local contribution established in section 15688,
32 subsection ~~3-~~ 3-A.

34 C. "Statewide total local share" means the local share,
35 calculated on a statewide basis, of the statewide total cost
36 of the components of essential programs and services as
37 adjusted pursuant to section 15671, subsection 7 to reflect
38 the application of the transition targets to the base total
39 component.

40 D. "Statewide valuation" means the certified total state
41 valuation for the year prior to the most recently certified
42 total state valuation for all municipalities statewide.

44 2. **Local cost share expectation.** ~~The local cost share~~
45 ~~expectation is established as follows.~~ This subsection
46 establishes full-value education mill rates that limit a
47 municipality's required local contribution pursuant to section
48 15688, subsection 3-A. The full-value mill rates represent rates
49 that, if applied to the statewide valuation, would produce the
50

2 statewide total local share. Notwithstanding any other provision
3 of law, with respect to the assessment of any property taxes for
4 property tax years beginning on or after April 1, 2005, a
5 municipality's required local contribution determined pursuant to
6 section 15688, subsection 3-A establishes the local cost share
7 expectation for that municipality.

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

21 B. For property tax years beginning on or after April 1,
22 2005, the commissioner shall calculate the full-value
23 education mill rate that is required to raise the statewide
24 ~~total of the local cost share expectation.~~ The full-value
25 education mill rate is calculated for each fiscal year by
26 dividing the applicable ~~tax-year percentage of the projected~~
27 ~~cost of funding public education from kindergarten to grade~~
28 ~~12~~ statewide total local share by the ~~certified total state~~
29 ~~applicable statewide~~ valuation ~~for the year prior to the~~
30 ~~most recently certified total state valuation for all~~
31 ~~municipalities.~~ The full-value education mill rate must
32 decline over the period from fiscal year 2005-06 to fiscal
33 year ~~2009-10~~ 2008-09 and may not exceed 9.0 mills in fiscal
34 year 2005-06 and may not exceed 8.0 mills in fiscal year
35 ~~2009-10~~ 2008-09. The full-value education mill rate must be
36 applied according to section 15688, subsection ~~--3-~~ 3-A,
37 paragraph A to determine a municipality's local cost share
38 expectation. Full-value education mill rates must be
39 derived according to the following schedule.

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

44 (2) For the 2006 property tax year, the full-value
45 education mill rate is the amount necessary to result
46 in a 47.4% 46.14% statewide total local share in fiscal
47 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% 45.56% statewide total 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% 45.0% statewide total 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
16 **3. Exceeding maximum local cost share expectations;
separate article.** Beginning with the 2005-2006 school budget,
18 the legislative body of a school administrative unit may adopt
~~property tax rates an additional local appropriation~~ that ~~exceed~~
20 exceeds the local cost share expectation established by section
15688, subsection ~~3-3-A~~, paragraph A only if that action is
22 approved in a separate article by a vote of the school
administrative unit's legislative body through the same process
24 that the school budget is approved in that school administrative
unit and in accordance with section 15690. If that additional
26 appropriation causes the school administrative unit to exceed the
maximum state and local spending target described in subsection
28 4, the requirements of subsection 5 apply.

30 **4. Maximum state and local spending target.** The maximum
state and local spending target for a school administrative unit
32 is the sum of the following costs calculated by the commissioner
for the unit:

34 A. The base total calculated pursuant to section 15683,
36 subsection 1 without the adjustment for transition targets
under section 15671, subsection 7, paragraph A;

38 B. Other subsidizable costs described in section 15681-A;
40 and

42 C. The debt service allocation pursuant to section 15683-A.

44 The commissioner shall annually notify each school administrative
unit of its maximum state and local spending target.

46 **5. Exceeding maximum state and local spending target.** If
48 the sum of a school administrative unit's required local
contribution determined pursuant to section 15688, subsection 3-A
50 plus the state contribution as calculated pursuant to section

2 15688, subsection 3-A, paragraph D plus any additional local
3 amount proposed to be raised pursuant to section 15690,
4 subsection 3 exceeds the school administrative unit's maximum
5 state and local spending target established pursuant to
6 subsection 4, the following provisions govern approval of that
7 additional amount.

8 A. The article approving the additional amount must conform
9 to the requirements of section 15690, subsection 3,
10 paragraph B. Notwithstanding section 1304, subsection 6,
11 section 1701, subsection 7, Title 30-A, section 2528,
12 subsection 5, or any other provision of law, municipal
13 charter provision or ordinance, voter approval of the
14 article, whether in town meeting, district meeting or other
15 voting process established by law, municipal charter or
16 ordinance, including, but not limited to, any vote on the
17 article initiated by voter petition, must be by referendum
18 or written ballot.

19 B. In a municipality where the responsibility for final
20 adoption of the school budget is vested by the municipal
21 charter in a council, this paragraph applies, except that
22 the petition and referendum provisions apply only if the
23 municipal charter does not otherwise provide for or prohibit
24 a petition and referendum process with respect to the
25 matters described in this paragraph.

26 (1) A majority of the entire membership of the school
27 board or committee must approve the additional amount
28 in a regular budget meeting.

29 (2) An article approving the additional amount must
30 conform to the requirements of section 15690,
31 subsection 3, paragraph B and be approved by a majority
32 of the entire membership of the council in a vote taken
33 in accordance with section 15690, subsection 5 or, if
34 the council votes not to approve the article, by a
35 majority of voters voting in a referendum called
36 pursuant to subparagraph (4).

37 (3) If an article is approved by the council pursuant
38 to subparagraph (2), the voters may petition for a
39 referendum vote on the same article in accordance with
40 subparagraph (4). If a petition is filed in accordance
41 with subparagraph (4), the vote of the council is
42 suspended pending the outcome of the referendum vote.
43 Upon approval of the article by a majority of the
44 voters voting in that referendum, the article takes
45 effect. If the article is not approved by a majority
46 of the voters voting in that referendum, the article
47 is null and void.

2 does not take effect. Subsequent to the vote, the
3 school committee or board may again propose an
4 additional amount, subject to the requirements of this
5 section.

6 (4) If a written petition, signed by at least 10% of
7 the number of voters voting in the last gubernatorial
8 election in the municipality, requesting a vote on the
9 additional amount is submitted to the municipal
10 officers within 30 days of the council's vote pursuant
11 to subparagraph (2), the article voted on by the
12 council must be submitted to the legal voters in the
13 next regular election or a special election called for
14 the purpose. The election must be called, advertised
15 and conducted according to the law relating to
16 municipal elections, except that the registrar of
17 voters is not required to prepare or the clerk to post
18 a new list of voters. For the purpose of registration
19 of voters, the registrar of voters must be in session
20 the secular day preceding the election. The voters
21 shall indicate by a cross or check mark placed against
22 the word "Yes" or "No" their opinion on the article.
23 The results must be declared by the municipal officers
24 and entered upon the municipal records.

26 **Sec. D-36. 20-A MRSA §15672**, as amended by PL 2003, c. 712,
27 §12, is further amended to read:

28 **§15672. Definitions**

30 As used in this chapter, unless the context otherwise
31 indicates, the following terms have the following meanings.

34 **1. Allocation year.** "Allocation year" means the year that
35 subsidy is distributed to school administrative units.

36 **1-A. Adjusted total cost of components of essential**
37 **programs and services.** "Adjusted total cost of the components of
38 **essential programs and services**" means the total cost of the
39 **components of essential programs and services adjusted to reflect**
40 **the application of the transition targets to the base total**
41 **component as specified in section 15671, subsection 7, paragraph**
42 **A.**

44 **1-B. Base year.** "Base year" means the 2nd year prior to
45 **the allocation year.**

48 **1-C. Bus purchase costs.** "Bus purchase costs" includes
49 **expenditures for bus purchases approved by the commissioner and**
50 **made during the year prior to the allocation year.**

2 2. **Clerical staff.** "Clerical staff" means full-time
3 equivalent public school secretaries, as documented in the
4 department's database.

6 2-A. Debt service costs. "Debt service costs," for subsidy
7 purposes, includes:

8
9 A. Principal and interest costs for approved major capital
10 projects in the allocation year, including the initial local
11 share of school construction projects that received voter
12 approval for all or part of their funding in referendum in
13 fiscal year 1984-85, but excluding payments made with funds
14 from state and local government accounts established under
15 the federal Internal Revenue Code and regulations for
16 disposition of excess, unneeded proceeds of bonds issued for
17 a school project;

18
19 B. Lease costs for school buildings when the leases,
20 including leases under which the school administrative unit
21 may apply the lease payments to the purchase of portable,
22 temporary classroom space beginning January 1, 1988, have
23 been approved by the commissioner for the year prior to the
24 allocation year. Beginning July 1, 1998 lease costs include
25 costs for leasing:

26
27 (1) Administrative space. A school administrative
28 unit may lease administrative space with state support
29 until July 1, 2003. A school administrative unit
30 engaged in a lease-purchase agreement for
31 administrative space is eligible for state support
32 until July 1, 2008;

33 (2) Temporary interim nonadministrative space.

34
35 (a) A school administrative unit with
36 state-approved need for nonadministrative space
37 may lease temporary interim space, with state
38 support, for a maximum of 5 years. A school
39 administrative unit may appeal to the state board
40 if this limitation presents an undue burden. When
41 making a determination on a school administrative
42 unit's request for relief based on undue burden,
43 the state board may consider, but are not limited
44 to considering, the following:

45 (i) Fiscal capacity;

46
47 (ii) Enrollment demographics; and

48
49
50

2 (iii) Unforeseen circumstances not within
3 the control of the appealing school
4 administrative unit.

6 The state board's decision is final.

8 (b) A school administrative unit engaged in a
9 lease-purchase agreement for temporary interim
10 nonadministrative space is eligible for state
11 support for a maximum of 10 years; and

12 (3) Permanent small nonadministrative space that
13 replaces or is converted from existing approved leased
14 portable space. The existing approved leased portable
15 space will be eligible for state support until July 1,
16 2003. Once an existing leased portable space has been
17 converted into a permanent nonadministrative space
18 through an approved lease-purchase agreement, that
19 space is eligible for state support for a maximum of 10
20 years.

22 The department shall adopt rules necessary to implement this
23 paragraph. Rules adopted by the department to implement
24 this paragraph are major substantive rules pursuant to Title
25 5, chapter 375, subchapter 2-A;

26 C. The portion of the tuition costs applicable to the
27 insured value factor for the base year computed under
28 section 5806; and

30 D. The cost of construction or purchase of portable,
31 temporary classroom space as approved by the commissioner
32 beginning January 1, 1988. For the purposes of this
33 section, "portable, temporary classroom space" means a
34 project consisting of one or more mobile or modular
35 buildings that are at least partially constructed off site
36 and are designed to be moved to other sites with a minimum
37 of disassembly and reassembly. "Portable, temporary
38 classroom space" includes, but is not limited to, space for
39 regular classrooms, small group instruction, libraries,
40 clinics and guidance and administrative office space,
41 including principal and superintendent offices. The
42 department shall adopt rules for approving the purchase,
43 construction or lease-purchase of portable, temporary
44 classroom space and for determining the amount includable
45 for subsidy purposes. Lease-purchase agreements may not
46 exceed a term of 10 years. Approved costs are those for
47 the year prior to the allocation year. The department shall
48 adopt rules necessary to implement this paragraph. Rules

2 adopted by the department to implement this paragraph are
3 major substantive rules pursuant to Title 5, chapter 375,
4 subchapter 2-A.

5 **3. Economically disadvantaged students.** "Economically
6 disadvantaged students" means students who are included in the
7 department's count of students who are eligible for free or
8 reduced-price meals or free milk or both.

9 **4. Education technician.** "Education technician" means a
10 full-time equivalent public teacher aide or education technician
11 I, associate teacher or education technician II or assistant
12 teacher or education technician III but not a special education
13 technician I, II or III, as documented in the department's
14 database.

15 **5. Elementary free or reduced-price meals percentage.**
16 "Elementary free or reduced-price meals percentage" means the
17 percentage, as determined by the commissioner, that reflects
18 either:
19 20

21 A. The actual percentage of elementary students in a school
22 administrative unit who are eligible to receive free or
23 reduced-price meals or free milk or both; or

24 B. The commissioner's estimated percentage of elementary
25 students in a school administrative unit who are eligible to
26 receive free or reduced-price meals or free milk or both.
27

28 **6. Elementary grades.** "Elementary grades" means
29 kindergarten to grade 8 and includes children enrolled in early
30 kindergarten programs and 4-year-old children enrolled in a
31 2-year childhood education program prior to grade one.
32

33 **7. Elementary school level.** "Elementary school level"
34 means the grades from kindergarten to grade 5 and includes early
35 kindergarten programs and 2-year childhood education programs
36 enrolling 4-year-old children prior to grade one.
37

38 **7-A. EPS per-pupil rate.** "EPS per-pupil rate" means the
39 rate calculated under section 15676 or 15676-A, as applicable.
40

41 **8. Essential programs and services.** "Essential programs
42 and services" means those educational resources that are
43 identified in this chapter that enable all students to meet the
44 standards in the 8 content standard subject areas of the system
45 of learning results established in chapter 222.
46

47 **9. Essential programs and services transition percentage.**
48 "Essential programs and services transition percentage" means the
49 50

2 ~~full-estimated-cost-for-all-essential-programs-and-services-for~~
3 ~~that-fiscal-year-that-will-be-funded-by-a-state-contribution-or~~
4 ~~by-a-required-local-contribution percentage of the base total~~
5 ~~calculated pursuant to section 15671, subsection 7, paragraph A.~~

6 9-A. Gifted and talented costs. "Gifted and talented
7 costs" means the cost of programs for gifted and talented
8 students that have been approved by the commissioner.

10 10. **Grade 9 to 12 portion.** "Grade 9 to 12 portion" means
11 those pupils in the secondary grades or high school level.

12 11. **Guidance staff.** "Guidance staff" means full-time
13 equivalent public guidance counselors, directors of guidance or
14 school social workers, as documented in the department's database.

15 12. **Health staff.** "Health staff" means full-time
16 equivalent public school nurses, as documented in the
17 department's database.

18 13. **High school level.** "High school level" means grade 9 to
19 grade 12.

20 21. **Institutional resident.** "Institutional resident"
22 means a person between 5 years of age and 20 years of age who is
23 attending a public school of the school administrative unit and
24 who is committed or otherwise legally admitted to and residing at
25 a state-operated institution. "Institutional resident" does not
26 include students attending private facilities, regardless of the
27 means of placement.

28 22. ~~Income weight.~~ "Income weight" means a value between
29 zero and one that is used to adjust a municipality's ratio of
30 local median household income to the statewide median household
31 income. The income weight plus the property weight, as defined
32 in subsection 24, must total one.

33 15. **Kindergarten to grade 8 portion.** "Kindergarten to grade
34 8 portion" means those pupils in the elementary grades or a
35 combination of the elementary school level and middle school
36 level.

37 16. **Kindergarten to grade 2 student.** "Kindergarten to
38 grade 2 student" means a student in any grade from
39 prekindergarten to grade 2 who is at least ~~5~~ 4 years old on
40 October 15th of the school year.

41 17. **Librarian.** "Librarian" means a full-time equivalent
42 public librarian or media specialist, as documented in the
43 department's database.

2 **18. Limited English proficiency student.** "Limited English
4 proficiency student" means a student who was not born in the
United States or whose native language is a language other than
6 English and who satisfies the definition of a limited English
proficient student under the federal No Child Left Behind Act of
2001, 20 United States Code, Chapter 70.

8 **18-A. Major capital costs.** "Major capital costs" means
10 costs relating to school construction projects, as defined in
section 15901.

12 **19. Media assistant.** "Media assistant" means a full-time
14 equivalent public librarian aide or library technician I,
librarian assistant or library technician II or librarian
16 associate or library technician III, as documented in the
department's database.

18 **20. Middle school level.** "Middle school level" means grade
20 6 to grade 8.

22 **20-A. Minor capital costs.** "Minor capital costs" means
24 costs relating to plant maintenance, minor remodeling, site
development or the purchase of land not in conjunction with a
construction project.

26 **A. "Minor capital costs" does not include construction of**
28 **new buildings or the purchase of land in conjunction with a**
school construction project.

30 **B. Expenditures to repay funds borrowed for minor capital**
32 **expenditures must be considered minor capital costs in the**
year in which these funds are repaid.

34 **C. Purchase of land made in accordance with this subsection**
36 **must be approved:**

38 **(1) By the legislative body of the school**
40 **administrative unit; and**

42 **(2) By the commissioner, under rules adopted for this**
purpose.

44 **21. Municipality.** "Municipality" means a city, town or
organized plantation.

46 **21-A. Other subsidizable costs.** "Other subsidizable costs"
48 **means those costs identified in section 15681-A. These costs are**
part of the total operating allocation under section 15683.

2 21-B. Portable, temporary classroom space. "Portable,
temporary classroom space" means one or more mobile or modular
4 buildings that are at least partially constructed off site and
that are designed to be moved to other sites with a minimum of
6 disassembly and reassembly.

8 ~~22. Per pupil guarantee.~~ "~~Per pupil guarantee~~" means the
total amount of funds that is made available for each
10 ~~subsidizable pupil representing the following components:~~

12 A. ~~Salary and benefit costs for school-level teaching staff;~~

14 B. ~~Salary and benefit costs for other identified school~~
level staff;

16 C. ~~Designated costs for substitute teachers; and~~

18 D. ~~Identified nonstaffing costs.~~

20 22-A. Predicted per-pupil transportation costs. "Predicted
per-pupil transportation costs" means the predicted
22 transportation costs for a school administrative unit based on
the number of resident pupils, the number of miles of Class 1 to
24 Class 5 roads in the school administrative unit and approved
adjustments. Approved adjustments include a per mile rate equal
26 to the state average gross transportation operating costs per
mile driven for transportation associated with out-of-district
28 special education programs, up to 2 round trips per day for
vocational education programs, and adjustments for expenditures
30 for ferry services within a school administrative unit,
transportation of homeless children in accordance with section
32 5205 and transportation costs of island school administrative
units.

34
36 23. **Property fiscal capacity.** "Property fiscal capacity"
means the certified state valuation amount for the year prior to
38 the most recently certified state valuation.

40 ~~24. Property weight.~~ "~~Property weight~~" means a value
between zero and one that is used to adjust a municipality's
42 ~~ratio of local per pupil property fiscal capacity to the~~
statewide per pupil property fiscal capacity. The income weight,
44 ~~as defined in subsection 14, plus the property weight must total~~
one.

46 25. **School administrative staff.** "School administrative
48 staff" means full-time equivalent public school principals and
assistant principals, as documented in the department's database.

26. **School administrative unit's local contribution to EPS per-pupil rate.** "School administrative unit's local contribution to the ~~per-pupil-guarantee~~ EPS per-pupil rate" means the funds that a school administrative unit provides for each subsidizable pupil who resides in that unit.

27. **School administrative unit's state contribution to EPS per-pupil rate.** "School administrative unit's state contribution to the ~~per-pupil-guarantee~~ EPS per-pupil rate" means the funds that the State provides to a school administrative unit for each subsidizable pupil who resides in that unit.

28. **School level.** "School level" means elementary level, middle school level and high school level.

29. **School level teaching staff.** "School level teaching staff" means full-time equivalent public classroom teachers, itinerant classroom teachers and special teachers of reading or literacy specialists excluding special education teachers and vocational education teachers, as documented in the department's database.

30. **Secondary grades.** "Secondary grades" means grade 9 to grade 12.

30-A. Special education costs. "Special education costs" for subsidy purposes includes:

A. The salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform a special education service;

B. The costs of tuition and board to other schools for programs that have been approved by the commissioner and not paid directly by the State. Medical costs are not allowable as part of a tuition charge;

C. The following preschool handicapped services:

(1) The salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform preschool handicapped services that have been approved by the commissioner; and

(2) The cost of tuition to other schools for programs that have been approved by the commissioner; and

D. Special education costs that are the costs of educational services provided to students who are temporarily unable to participate in regular school

2 programs. Students who may be included are pregnant
3 students, hospitalized students or those confined to their
4 homes for illness or injury, students involved in substance
5 abuse programs within hospital settings or in residential
6 rehabilitation facilities licensed by the Department of
7 Health and Human Services, Office of Alcoholism and Drug
8 Abuse Prevention for less than 6 weeks duration or students
9 suffering from other temporary conditions that prohibit
10 their attendance at school. Students served under this
11 paragraph may not be counted as exceptional students for
12 federal reporting purposes.

13 **30-B. State-operated institution.** "State-operated
14 institution" means any residential facility or institution that
15 is operated by the Department of Health and Human Services or a
16 school operated by the Department of Education.

17 **31. State share percentage.** "State share percentage" means
18 the percentage of the sum--of--the--following--amounts--that--is
19 provided--by--a--state--appropriation; state contribution determined
20 under section 15688, subsection 3, paragraph B divided by the
21 total cost determined in section 15688, subsection 1.

22 A.---Operating--costs--total--allocation,--as--described--in
23 section-15683;

24 B.--Program-costs-allocation,--as--described--in--section-15608,
25 subsection-2;

26 C.---Allocations--for--debt--service--costs,--as--defined--in
27 section-15603,--subsection-8;--and

28 D.--Allocations--for--all--adjustments--and--miscellaneous--costs
29 authorized--pursuant--to--sections-15612--and--15613.

30 **31-A. State subsidy.** "State subsidy" means the total of the
31 state contribution determined under section 15688, subsection
32 3-A, paragraph B and any applicable adjustment under section
33 15689.

34 **31-B. Subsidizable costs.** "Subsidizable costs" includes
35 the costs described in paragraphs A to C and used to calculate
36 the total allocation amount:

37 A. The total operating allocation under section 15683;

38 B. Debt service cost; and

39 C. Adjustments and miscellaneous costs under sections 15689
40 and 15689-A including special education tuition and board,

2 excluding medical costs. For purposes of this paragraph,
3 "special education tuition and board" means:

4 (1) Tuition and board for pupils placed directly by
5 the State in accordance with rules adopted or amended
6 by the commissioner; and

8 (2) Special education tuition and other tuition for
9 institutional residents of state-operated institutions
10 attending programs in school administrative units or
11 private schools in accordance with rules adopted or
12 amended by the commissioner.

14 **32. Subsidizable pupils.** "Subsidizable pupils" means all
15 school level pupils who reside in a school administrative unit
16 and who are educated at public expense at a public school or at a
17 private school approved for tuition purposes.

18 **32-A. Total allocation.** "Total allocation" means the total
19 of the operating allocation as described in section 15683 and the
20 debt service allocation as described in section 15683-A.

22 Nonsubsidizable costs are not considered in the calculation of
23 the total allocation. "Nonsubsidizable costs" includes the
24 following:

26 A. Community service costs;

28 B. Major capital costs;

30 C. Expenditures from all federal revenue sources, except
32 for amounts received under United States Public Law 81-874;

34 D. Transportation costs not associated with transporting
35 students from home to school and back home each day; and

36 E. Costs payable to the Maine State Retirement System under
38 Title 5, section 17154, subsections 10 and 11.

40 **32-B. Total cost of components of essential programs and**
41 **services.** "Total cost of the components of essential programs
42 and services" means the total of the following components:

44 A. The base total determined pursuant to section 15683,
45 subsection 1;

46 B. Other subsidizable costs identified in section 15681-A;

48 C. Debt service costs;
50

2 D. Adjustments determined pursuant to section 15689; and

4 E. Miscellaneous costs appropriated pursuant to section
5 15689-A.

6 32-C. Transportation operating costs. "Transportation
7 operating costs" means all costs incurred in the transportation
8 of pupils in kindergarten to grade 12, including lease costs for
9 bus garage and maintenance facilities and lease-purchase costs
10 that the school administrative unit may apply to the purchase of
11 bus garage and maintenance facilities, when the leases and
12 lease-purchase agreements have been approved by the commissioner,
13 but excluding the costs of bus purchases and excluding all costs
14 not associated with transporting students from home to school and
15 back home each day. The amount includable for determining the
16 subsidy for a school administrative unit for lease-purchase of
17 bus garage and maintenance facilities may not exceed the amount
18 for the lease of a comparable facility.

20 32-D. Vocational education costs. "Vocational education
21 costs" for subsidy purposes means all costs incurred by the
22 vocational regions, centers or satellites in providing approved
23 secondary school vocational education programs, excluding
24 transportation, capital costs and debt service.

26 32-E. Year. "Year" means a fiscal year starting July 1st
27 and ending June 30th of the succeeding year.

28 33. Year of funding. "Year of funding" means the fiscal
29 year during which state subsidies are disbursed to school
30 administrative units, except as specified in section 15005,
31 subsection 1.

34 Sec. D-37. 20-A MRSA §15673, as repealed and replaced by PL
35 2003, c. 712, §13, is repealed.

36 Sec. D-38. 20-A MRSA §15675, sub-§1, as enacted by PL 2003, c.
37 504, Pt. A, §6, is amended to read:

40 1. Limited English proficiency students. The additional
41 weights for school administrative units with limited English
42 proficiency students are as follows:

44 A. For a school administrative unit with 15 or fewer
45 limited English proficiency students, the unit receives an
46 additional weight of .50 per student;

48 B. For a school administrative unit with more than 15 and
49 fewer than 251 limited English proficiency students, the
50 unit receives an additional weight of .30 per student; and

2 C. For a school administrative unit with 251 or more limited
3 English proficiency students, the unit receives an
4 additional weight of .60 per student.

6 Eligibility for state funds under this subsection is limited to
7 school administrative units that are providing services to
8 limited English proficient students through programs approved by
9 the department.

10 **Sec. D-39. 20-A MRSA §15676**, as enacted by PL 2003, c. 504,
12 Pt. A, §6, is amended to read:

14 **§15676. EPS per-pupil rate**

16 For each school administrative unit, the commissioner shall
17 calculate the unit's ~~per-pupil-guarantee~~ EPS per-pupil rate for
18 each year as the sum of:

20 1. **Teaching staff costs.** The salary and benefit costs for
21 school level teaching staff that are necessary to carry out this
22 Act, calculated in accordance with section 15678, adjusted by the
23 regional adjustment under section 15682 and reduced by the amount
24 of funds received by the school administrative unit during the
25 most recent fiscal year under Title 1 of the federal Elementary
26 and Secondary Act of 1965, 20 United States Code, Section 6301 et
27 seq.;

28 2. **Other staff costs.** The salary and benefit costs for
29 school-level staff who are not teachers, but including substitute
30 teachers, that are necessary to carry out this Act, calculated
31 in accordance with section 15679, adjusted by the regional
32 adjustment under section 15682 and reduced by the amount of funds
33 received by the school administrative unit during the most recent
34 fiscal year under Title 1 of the federal Elementary and Secondary
35 Act of 1965, 20 United States Code, Section 6301 et seq.; and

38 3. **Additional costs.** The per-pupil amounts not related to
39 staffing, calculated in accordance with section 15680.

40 The EPS per-pupil rate is calculated on the basis of which
41 schools students attend. For school administrative units that do
42 not operate their own schools, the EPS per-pupil rate is
43 calculated under section 15676-A.

46 **Sec. D-40. 20-A MRSA §15676-A** is enacted to read:

48 **§15676-A. EPS per-pupil rate for units that do not operate**
49 **schools**

50

1 1. Definitions. For purposes of this section, the
2 following terms have the following meanings.

4 A. "Receiving unit" means the school administrative unit to
6 which students are sent by the sending unit.

8 B. "Receiving unit cost" means the amount arrived at by
10 multiplying the receiving unit's EPS rate by the number of
12 students sent to that unit by the sending unit.

14 C. "Sending unit" means the school administrative unit
16 sending students to other school administrative units.

18 2. Calculation of EPS per-pupil rate. For school
20 administrative units that do not operate certain types of
22 schools, the commissioner shall calculate that unit's EPS
24 per-pupil rate for each year as follows.

26 A. For units that do not operate elementary grade schools,
28 the EPS per-pupil rate for elementary grades is calculated
30 by multiplying the number of students sent by the sending
32 unit to an elementary grade receiving unit multiplied by the
34 receiving unit's EPS per-pupil rate for elementary grades
36 and the result divided by the number of students sent by the
38 sending unit to that elementary grade receiving unit. If
40 the sending unit sends students to more than one elementary
42 grade receiving unit, then the elementary grade receiving
44 unit cost for each student sent by the sending unit is added
46 and the result divided by the total number of students sent
48 to elementary grade receiving units by the sending unit.
50 The result is the average elementary grade EPS per-pupil
rate for the sending unit.

The EPS per-pupil rate for private schools approved for
tuition purposes under chapter 117 is the statewide average
EPS per-pupil rate for elementary grades. The elementary
attending student count is the most recent October 1st count
prior to the allocation year.

B. For units that do not operate secondary grade schools,
the EPS per-pupil rate for secondary grades is calculated by
multiplying the number of students sent by the sending unit
to a secondary grade receiving unit multiplied by the
receiving unit's EPS per-pupil rate for secondary grades and
the result divided by the number of students sent by the
sending unit to that secondary grade receiving unit. If the
sending unit sends students to more than one secondary grade
receiving unit, then the secondary grade receiving unit cost
for each student sent by the sending unit is added and the
result divided by the total number of students sent to

2 secondary grade receiving units by the sending unit. The
3 result is the average secondary grade EPS per-pupil rate for
4 the sending unit.

5 The EPS per-pupil rate for private schools approved for
6 tuition purposes under chapter 117 is the statewide average
7 EPS per-pupil rate for secondary grades. The secondary
8 attending student count is the most recent October 1st count
9 prior to the allocation year.

10 **Sec. D-41. 20-A MRSA §15678, sub-§5, ¶B,** as enacted by PL
11 2003, c. 504, Pt. A, §6, is amended to read:

12 B. The amount, as determined by the commissioner, that
13 equals the statewide percentage of salary costs that
14 represents the statewide average benefit costs.

15 **Sec. D-42. 20-A MRSA c. 606-C, headnote,** as enacted by IB 2003,
16 c. 2, §1, is repealed.

17 **Sec. D-43. 20-A MRSA §15681,** as enacted by IB 2003, c. 2,
18 §1, is repealed.

19 **Sec. D-44. 20-A MRSA §15681-A** is enacted to read:

20 **§15681-A. Other subsidizable costs**

21 The following are other subsidizable costs:

22 1. **Bus purchases.** Bus purchase costs;

23 2. **Special education costs.** Beginning in fiscal year
24 2005-06, a school administrative unit receives an additional
25 weight of at least 1.20 but not greater than 1.40 for each
26 special education student identified on the annual December 1st
27 child count as required by the federal Individuals with
28 Disabilities Education Act for the most recent year, up to a
29 maximum of 15% of the school administrative unit's resident
30 pupils as determined under section 15674, subsection 1, paragraph
31 C, subparagraph (1). For those school administrative units in
32 which the annual December 1st child count for the most recent
33 year is less than 15% of the school administrative unit's
34 resident pupils as determined under section 15674, subsection 1,
35 paragraph C, subparagraph (1), the special education child count
36 percentage may not increase more than 0.5% in any given year, up
37 to a maximum of 1.0% in any given 3-year period. For each
38 special education student above the 15% maximum, the unit
39 receives an additional weight of .38. In addition, each school
40 administrative unit must receive additional funds:

2 A. For lower staff-student ratios and expenditures for
3 related services for school administrative units with fewer
4 than 20 special education students identified on the annual
5 December 1st child count as required by the federal
6 Individuals with Disabilities Education Act for the most
7 recent year;

8 B. For high-cost in-district special education placements.
9 Additional funds must be allocated for each student
10 estimated to cost 3 times the statewide special education
11 EPS per-pupil rate. The additional funds for each student
12 must equal the amount by which that student's estimated
13 costs exceed 3 times the statewide special education EPS
14 per-pupil rate;

15 C. For high-cost out-of-district special education
16 placements. Additional funds must be allocated for each
17 student estimated to cost 4 times the statewide special
18 education EPS per-pupil rate. The additional funds for each
19 student must equal the amount by which that student's
20 estimated costs exceed 4 times the statewide special
21 education EPS per-pupil rate; and

22 D. To ensure the school administrative unit meets the
23 federal maintenance of effort requirement for receiving
24 federal Individuals with Disabilities Education Act funds.

25 The commissioner shall develop an appeals procedure for
26 calculated special education costs for school administrative
27 units;

28 3. Transportation costs. For fiscal year 2005-06, the
29 commissioner, using information provided by a statewide education
30 policy research institute, shall establish a per-pupil
31 transportation cost for each school administrative unit based on
32 an analysis of the most recent year's reported transportation
33 expenditures and a predicted per-pupil transportation cost based
34 on the number of resident pupils, the number of miles of Class 1
35 to Class 5 roads in the school administrative unit and any
36 approved adjustments. In fiscal year 2005-06 the established
37 per-pupil transportation cost for each school administrative unit
38 is the most recent year's reported transportation expenditures or
39 predicted per-pupil transportation cost, plus 10%, whichever is
40 lower. Beginning in fiscal year 2006-07, and for each subsequent
41 fiscal year, the per-pupil transportation costs for each school
42 administrative unit are its established costs for the most recent
43 year adjusted by the Consumer Price Index or other comparable
44 index. For fiscal years 2005-06 and 2006-07, in no case may the
45 per-pupil transportation costs for a school administrative unit
46 be less than 75% of the established costs for the most recent
47 year.

2 fiscal year. Every 3 years, the commissioner, using information
3 provided by a statewide education policy research institute,
4 shall examine and may adjust reported transportation expenditures
5 and predicted transportation costs. The commissioner shall
6 develop an appeals procedure for established per-pupil
7 transportation costs for school administrative units;

8 4. Vocational education costs. Vocational education costs
9 in the base year adjusted to the year prior to the allocation
10 year; and

12 5. Gifted and talented education costs. Gifted and
13 talented costs in the base year adjusted to the year prior to the
14 allocation year.

16 **Sec. D-45. 20-A MRSA §15682**, as enacted by IB 2003, c. 2,
17 §1, is repealed.

18 **Sec. D-46. 20-A MRSA §15682**, as enacted by PL 2003, c. 504,
20 Pt. A, §6, is amended to read:

22 **§15682. Regional adjustment**

24 The commissioner shall make a regional adjustment in the
25 total operating allocation for each school administrative unit
26 determined pursuant to section 15683. The regional adjustment
27 must be based on the regional differences in teacher salary costs
28 within labor market areas in the State, as computed by a
29 statewide education policy research institute, and must be
30 applied only to appropriate teacher salary and benefits costs as
31 calculated under section 15678 and salary and benefit costs of
32 other school-level staff who are not teachers as calculated under
33 section 15679. Beginning in fiscal year 2006-07, and at least
34 every 2 years thereafter, the commissioner, using information
35 provided by a statewide education policy research institute,
36 shall review the regional adjustment amounts under this section
37 and shall submit any recommended changes to the state board for
38 approval.

40 **Sec. D-47. 20-A MRSA §15683**, as amended by PL 2003, c. 712,
41 §14, is further amended to read:

42 **§15683. Total operating allocation**

43 For each school administrative unit, that unit's total
44 operating allocation is the base total set forth in subsection 1
45 as adjusted in accordance with subsection 2 and including the
46 total amount ~~for subsection 3~~ of other subsidizable costs as
47 described in section 15681-A.

50

COMMITTEE AMENDMENT "A" to H.P. 6, L.D. 1

1. **Base total.** The base total of a school administrative unit's total operating allocation is the sum of:

A. The product of the school administrative unit's kindergarten to grade 8 ~~per-pupil-guarantee~~ EPS per-pupil rate multiplied by the total of the kindergarten to grade 8 portions of the following pupil counts:

(1) The pupil count set forth in section 15674, subsection 1, paragraph C;

(2) The additional weight for limited English proficiency students calculated pursuant to section 15675, subsection 1; and

(3) The additional weight for economically disadvantaged students calculated pursuant to section 15675, subsection 2;

B. The product of the school administrative unit's grade 9 to 12 ~~per-pupil-guarantee~~ EPS per-pupil rate multiplied by the total of the grade 9 to 12 portion of the following pupil counts:

(1) The pupil count set forth in section 15674, subsection 1, paragraphs A, B and C;

(2) The additional weight for limited English proficiency students calculated pursuant to section 15675, subsection 1; and

(3) The additional weight for economically disadvantaged students calculated pursuant to section 15675, subsection 2;

C. If the school administrative unit is eligible for targeted student assessment funds pursuant to section 15681, subsection 1, the sum of:

(1) The product of the elementary school level and middle school level per-pupil amount for targeted student assessment funds calculated pursuant to section 15681, subsection 2 multiplied by the kindergarten to grade 8 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); and

(2) The product of the high school level per-pupil amount for targeted student assessment funds calculated pursuant to section 15681, subsection 2 multiplied by

COMMITTEE AMENDMENT "A" to H.P. 6, L.D. 1

2 the grade 9 to 12 portion of the pupil count calculated
pursuant to section 15674, subsection 1, paragraph C,
4 subparagraph (1);

6 D. If the school administrative unit is eligible for
targeted technology resource funds pursuant to section
8 15681, subsection 1, the sum of:

10 (1) The product of the elementary school level and
middle school level per-pupil amount for targeted
12 technology resource funds calculated pursuant to
section 15681, subsection 3 multiplied by the
14 kindergarten to grade 8 portion of the pupil count
calculated pursuant to section 15674, subsection 1,
16 paragraph C, subparagraph (1); and

18 (2) The product of the high school level per-pupil
amount for targeted technology resource funds
20 calculated pursuant of section 15681, subsection 3
multiplied by the grade 9 to 12 portion of the pupil
22 count calculated pursuant to section 15674, subsection
1, paragraph C, subparagraph (1); and

24 E. If the school administrative unit is eligible for
targeted kindergarten to grade 2 funds pursuant to section
26 15681, subsection 1, the product of the ~~per-pupil-guarantee~~
EPS per-pupil rate multiplied by the additional weight for
28 kindergarten to grade 2 calculated pursuant to section
15675, subsection 3- ; and

30 F. An isolated small unit adjustment. A school
32 administrative unit is eligible for an isolated small school
34 adjustment when the unit meets the size and distance
36 criteria as established by the commissioner and approved by
38 the state board. The amount of the adjustment is the result
40 of adjusting the necessary student-to-staff ratios
42 determined in section 15679, subsection 2, the per-pupil
amount for operation and maintenance of plant in section
15680, subsection 1, paragraph B or other essential programs
and services components in chapter 606-B, as recommended by
the commissioner.

44 **2. Adjustments.** The base total calculated pursuant to
46 subsection 1 must be adjusted as-fellows by multiplying it by the
appropriate transition percentage in accordance with section
15671, subsection 7, paragraph A.

48 ~~A.-The base total calculated pursuant to subsection 1 must~~
50 ~~be reduced by the amount of all funds received by the school~~
~~administrative unit under Title I of the federal Elementary~~

~~and Secondary Education Act of 1965, 20 United States Code, Section 6301 et seq., during the most recent fiscal year.~~

~~B. The amount calculated pursuant to paragraph A must be adjusted by the regional adjustment pursuant to section 15682.~~

~~C. The amount calculated pursuant to paragraph B must be multiplied by the essential programs and services transition percentage for the appropriate year in accordance with section 15671, subsection 7, paragraph A.~~

Sec. D-48. 20-A MRSA §15683, as enacted by IB 2003, c. 2, §1, is repealed.

Sec. D-49. 20-A MRSA §15683-A is enacted to read:

§15683-A. Total debt service allocation

For each school administrative unit, that unit's total debt service allocation is that unit's debt service costs as defined in section 15672, subsection 2-A.

Sec. D-50. 20-A MRSA §15684, as enacted by PL 2003, c. 712, §15 and IB 2003, c. 2, §1, is repealed.

Sec. D-51. 20-A MRSA §15685, as enacted by PL 2003, c. 504, Pt. A, §6 and IB 2003, c. 2, §1, is repealed.

Sec. D-52. 20-A MRSA §15686, as amended by PL 2003, c. 712, §16, is further amended to read:

§15686. Transition adjustment

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 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 2008-09.

1. Adjustment in fiscal year 2005-06. A school administrative unit is eligible for a transition adjustment in fiscal year 2005-06 if the school administrative unit meets the following criteria.

2 A. The school administrative unit's state share of the
4 total allocation, including the debt service adjustment
6 pursuant to section 15689, subsection 2, and the minimum
8 state share of its total allocation pursuant to section
10 15689, subsection 1 is less than the fiscal year 2004-05
12 state share of its total allocation, including the minimum
14 state share of its total allocation pursuant to former
 section 15689, subsection 1 and the adjustment for
 geographic isolation pursuant to section 15612, subsection
 2. The state share adjustment is an amount equal to that
 difference less the losses due to reduced expenditures for
 buses, debt service, special education, gifted and talented
 education and vocational education.

16 A school administrative unit that meets the criteria in paragraph
18 A is eligible to receive no less than a 5% transition adjustment
20 in fiscal year 2005-06 if the school administrative unit operates
 an elementary or secondary school and also has a student count of
 less than 1,000.

22 A school administrative unit that meets the criteria in paragraph
24 A is eligible to receive no less than a 2.5% transition
26 adjustment in fiscal year 2005-06 if the school administrative
 unit operates an elementary or secondary school and also has a
 student count of more than 1,000.

28 **Sec. D-53. 20-A MRSA §15688, sub-§1, ¶¶A to C, as enacted by PL**
30 **2003, c. 712, §17, are amended to read:**

32 A. The school administrative unit's ~~base~~ total ~~cost--of~~
34 ~~funding--essential--programs--and--services--subject--to--the~~
 ~~transition--percentages~~ calculated pursuant to section 15683,
 ~~subsection 1, adjusted pursuant to the transition targets~~
 described in section 15671, subsection 7, paragraph A;

36 B. The ~~program-cost-allocation-as-used-in-chapter-606~~ other
38 ~~subsidizable costs~~ described in section 15681-A; and

40 C. The ~~total~~ debt service allocation ~~as-used-in-chapter-606~~
42 ~~described in section 15683-A.~~

44 **Sec. D-54. 20-A MRSA §15688, sub-§2, as enacted by PL 2003, c.**
 712, §17, is amended to read:

46 **2. Member municipalities in school administrative districts**
48 **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
50 determine each municipality's total cost of education. A

1 municipality's total cost of education is the school
2 administrative district's or community school district's total
3 cost of ~~funding~~ education multiplied by the percentage that the
4 municipality's most recent calendar year average pupil count is
5 to the school administrative district's or community school
6 district's most recent calendar year average pupil count.

8 **Sec. D-55. 20-A MRSA §15688, sub-§3**, as enacted by PL 2003, c.
9 712, §17, is repealed.

10 **Sec. D-56. 20-A MRSA §15688, sub-§3-A** is enacted to read:

12 **3-A. School administrative unit; contribution.** For each
13 school administrative unit, the commissioner shall annually
14 determine the school administrative unit's required contribution,
15 the required contribution of each municipality that is a member
16 of the unit, if the unit has more than one member, and the
17 State's contribution to the unit's total cost of education in
18 accordance with the following.

20 A. For a school administrative unit composed of only one
21 municipality, the contribution of the unit and the
22 municipality is the same and is the lesser of:

24 (1) The total cost described in subsection 1; and

26 (2) The total of the full-value education mill rate
27 calculated in section 15671-A, subsection 2 multiplied
28 by the property fiscal capacity of the municipality.

30 B. For a school administrative district or community school
31 district composed of more than one municipality, each
32 municipality's contribution to the total cost of education
33 is the lesser of:

36 (1) The municipality's total cost as described in
37 subsection 2; and

38 (2) The total of the full-value education mill rate
39 calculated in section 15671-A, subsection 2 multiplied
40 by the property fiscal capacity of the municipality.

42 C. For a school administrative district or community school
43 district composed of more than one municipality, the unit's
44 contribution to the total cost of education is the lesser of:

46 (1) The total cost as described in subsection 1; and

48 (2) The sum of the totals calculated for each member
49 municipality pursuant to paragraph B, subparagraph (2).

2 D. The state contribution to the school administrative
4 unit's total cost of education is the total cost of
6 education calculated pursuant to subsection 1 less the
8 school administrative unit's contribution calculated
 pursuant to paragraph A or C, as applicable. The state
 contribution is subject to reduction in accordance with
 section 15690, subsection 1, paragraph C.

10 **Sec. D-57. 20-A MRSA §15688, sub-§4**, as enacted by PL 2003, c.
12 712, §17, is amended to read:

14 **4. Method of cost sharing; exception.** For the purpose of
16 local cost sharing, the provisions of subsection ~~3~~ 3-A do not
18 apply to municipalities that are members of a school
20 administrative district or a community school district whose cost
22 sharing formula was established pursuant to private and special
24 law prior to January 1, 2004. For each municipality that is a
 member of a school administrative district or a community school
 district whose cost sharing formula was established pursuant to
 private and special law prior to January 1, 2004, the cost
 sharing formula established pursuant to private and special law
 determines each municipality's local cost of education.

26 **Sec. D-58. 20-A MRSA §15689, sub-§1**, as enacted by PL 2003, c.
28 712, §17, is repealed and the following enacted in its place:

30 1. Minimum state allocation. Each school administrative
32 unit must be guaranteed a minimum state share of its total
34 allocation that is an amount equal to the greater of the
36 following:

38 A. The sum of the following calculations:

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

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

B. The school administrative unit's special education costs
 as calculated pursuant to section 15681-A, subsection 2
 multiplied by the following transition percentages:

- 2 (1) In fiscal year 2005-06, 84%;
4 (2) In fiscal year 2006-07, 90%;
6 (3) In fiscal year 2007-08, 95%; and
8 (4) In fiscal year 2008-09 and succeeding years, 100%.

10 These funds must be an adjustment to the school administrative
12 unit's state and local allocation after the state and local
14 allocation has been adjusted for debt service pursuant to
16 subsection 2.

18 **Sec. D-59. 20-A MRSA §15689, sub-§3**, as enacted by PL 2003, c.
20 712, §17, is amended to read:

22 **3. Adjustment limitations.** The amounts of the adjustments
24 paid to school administrative units or municipalities ~~in~~
26 ~~subsections 1 and 2~~ pursuant to this section are limited to the
28 amounts appropriated by the Legislature for these adjustments.

30 **Sec. D-60. 20-A MRSA §15689, sub-§§4 to 6** are enacted to read:

32 **4. Audit adjustments.** The following provisions apply to
34 audit adjustments.

36 A. If errors are revealed by audit and by the commissioner,
38 the school administrative unit's state subsidy must be
40 adjusted to include corrections.

42 B. If audit adjustments are discovered after the funding
44 level is certified by the commissioner and the state board
46 on December 15th pursuant to section 15689-C, the department
48 may request the necessary additional funds, if any, to pay
for these adjustments. These amounts, if any, are in
addition to the audit adjustment amount certified by the
commissioner and state board on the prior December 15th.

50 **5. Adjustment for cost of educating eligible students in**
52 **long-term drug treatment centers.** A school administrative unit
54 that operates an educational program approved pursuant to chapter
56 327 to serve eligible students in licensed drug treatment centers
58 must be reimbursed in the year in which costs are incurred as
60 follows.

62 A. Reimbursements must be limited to a maximum of 12 state
64 average tuition rates a year for each approved plan.

2 B. The rate of reimbursement per student may not exceed the
4 state average tuition rates in effect during the year of
6 placement as computed under sections 5804 and 5805. The
 tuition rates must be computed based on the state average
 secondary tuition rate and may be adjusted if the program is
 approved to operate beyond the 180-day school year.

8 6. Adjustment for uncertified personnel. The commissioner
10 shall reduce the state share of the total allocation to a school
12 administrative unit in the current year or following year by an
 amount that represents the state share of expenditures for
 salaries and benefits paid to uncertified personnel.

14 **Sec. D-61. 20-A MRSA §§15689-A to 15689-F are enacted to read:**

16 **§15689-A. Authorization of payment of miscellaneous costs**

18 1. Payment of state agency client costs. State agency
20 client costs are payable pursuant to this subsection. As used in
22 this subsection, "state agency client" has the same meaning as
 defined in section 1, subsection 34-A.

24 A. The commissioner shall approve special education costs
26 and supportive services, including transportation, for all
 state agency clients placed in residential placements by an
 authorized agent of a state agency.

28 B. Special education costs authorized by this subsection
30 for state agency clients must be paid by the department in
 the allocation year at 100% of actual costs.

32 C. The commissioner shall pay only approved special
34 education costs and supportive services, including
36 transportation, authorized by this subsection for state
38 agency clients and may not allocate for those special
40 education costs and supportive services, including
 transportation, incurred by the school administrative unit
 for state agency clients in the base years starting July 1,
 1985, and every base year thereafter.

42 D. Transportation costs for state agency clients, when
44 provided in accordance with rules established by the
 commissioner under section 7204, must be paid by the
 department in the allocation year at 100% of actual costs.

46 2. Education of institutional residents. The commissioner
48 may pay tuition to school administrative units or private schools
 for institutional residents within the limits of the allocation
 made under this section.

2 3. Essential programs and services components contract.
3 The commissioner may contract for the updating of the essential
4 programs and services component with a statewide education
5 research institute.

6 4. Learning results implementation, assessment and
7 accountability. The commissioner may expend and disburse funds
8 limited to the amount appropriated by the Legislature to carry
9 out the purposes of Public Law 1995, chapter 649, sections 5 and
10 8.

11 5. Regionalization, consolidation and efficiency
12 assistance. The commissioner may expend and disburse funds
13 limited to the amount appropriated by the Legislature to carry
14 out the purposes of promoting regionalization, consolidation and
15 efficiency.

16 6. Education research contract. The commissioner may
17 contract for the compilation and analysis of education data with
18 a statewide education research institute.

19 7. Disbursement limitations. The funds disbursed in
20 accordance with this section are limited to the amounts
21 appropriated by the Legislature for these purposes.

22 §15689-B. Authorization and schedules of payment of state
23 subsidy; appeals

24 1. Schedules of payment of unit allocation. The
25 commissioner shall authorize state subsidy payments to the school
26 administrative units to be made in accordance with time schedules
27 set forth in sections 15005, 15689-D and 15901 to 15910.

28 2. Notification of allocation; commissioner's duty;
29 superintendent's duty. The following provisions apply to
30 notification of allocation by the commissioner and each
31 superintendent.

32 A. The commissioner shall annually, prior to February 1st,
33 notify each school board of the estimated amount to be
34 allocated to the school administrative unit.

35 B. Each superintendent shall report to the municipal
36 officers whenever the school administrative unit is notified
37 of the allocation or a change is made in the allocation
38 resulting from an adjustment.

39 3. Payments of state subsidy to unit's treasurer; basis.
40 State subsidy payments must be made directly to the treasurer of
41 the unit.

2 each school administrative unit. The payments must be based on
3 audited financial reports submitted by school administrative
4 units.

6 4. Appeals. A school board may appeal the computation of
7 state subsidy for the school administrative unit to the state
8 board in writing within 30 days of the date of notification of
9 the computed amount. The state board shall review the appeal and
10 make an adjustment if in its judgment an adjustment is justified.
11 The state board's decision is final as to facts supported by the
12 record of the appeal.

14 5. School purpose expense requirement. Notwithstanding any
15 other law, money allocated for school purposes may be expended
16 only for school purposes.

18 6. Balance of allocations. Notwithstanding any other law,
19 general operating fund balances at the end of a school
20 administrative unit's fiscal year must be carried forward to meet
21 the unit's needs in the next year or over a period not to exceed
22 3 years. Unallocated balances in excess of 3% of the previous
23 fiscal year's school budget must be used to reduce the state and
24 local share of the total allocation for the purpose of computing
25 state subsidy. School boards may carry forward unallocated
26 balances in excess of 3% of the previous year's school budget and
27 disburse these funds in the next year or over a period not to
28 exceed 3 years.

30 7. Required data; subsidy payments withheld. A school
31 administrative unit shall provide the commissioner with
32 information that the commissioner requests to carry out the
33 purposes of this chapter, according to time schedules that the
34 commissioner establishes. The commissioner may withhold monthly
35 subsidy payments from a school administrative unit when
36 information is not filed in the specified format and with
37 specific content and within the specified time schedules.

38 8. Unobligated balances. Unobligated balances from amounts
39 appropriated for general purpose aid for local schools may not
40 lapse but must be carried forward to the next fiscal year.

42 **§15689-C. Commissioner's recommendation for funding levels;**
43 **computations**

44
46 1. Annual recommendation. Prior to December 15th of each
47 year, the commissioner, with the approval of the state board,
48 shall recommend to the Governor and the Department of
49 Administrative and Financial Services, Bureau of the Budget the
50 funding levels that the commissioner recommends for the purposes
of this chapter.

2 2. Funding level computations. The following are the
3 funding level computations that support the commissioner's
4 funding level recommendations:

6 A. The requested funding levels for the operating
7 allocation under section 15683;

8 B. The requested funding levels for debt service under
9 section 15683-A, which are as follows:

10 (1) The known obligations and estimates of anticipated
11 principal and interest costs for the allocation year;

12 (2) The expenditures for the insured value factor for
13 the base year;

14 (3) The level of lease payments and lease-purchase
15 payments pursuant to section 15672, subsection 2-A for
16 the year prior to the allocation year; and

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

19 C. The requested funding levels for adjustments under
20 section 15689, which must be computed by estimating costs
21 for the allocation year; and

22 D. The requested funding levels for miscellaneous costs
23 under section 15689-A.

24 3. Guidelines for updating other subsidizable costs. The
25 commissioner's recommendation for updating percentages to bring
26 base year actual costs to the equivalent of one-year-old costs
27 may not exceed the average of the 2 most recent percentages of
28 annual increase in the Consumer Price Index.

29 **§15689-D. Governor's recommendation for funding levels**

30 The Department of Administrative and Financial Services,
31 Bureau of the Budget shall annually certify to the Legislature
32 the funding levels that the Governor recommends under sections
33 15683, 15683-A, 15689 and 15689-A. The Governor's
34 recommendations must be transmitted to the Legislature within the
35 time schedules set forth in Title 5, section 1666.

36 **§15689-E. Actions by Legislature**

37 The Legislature shall annually, prior to March 15th, enact
38 legislation to:

2 1. Appropriation for state share of adjustments, debt
3 service and operating; single account. Appropriate the necessary
4 funds for the State's share for general purpose aid for local
5 schools with a separate amount for each of the following
6 components:

8 A. Adjustments and miscellaneous costs described in
9 sections 15689 and 15689-A, including an appropriation for
10 special education pupils placed directly by the State, for:

12 (1) Tuition and board for pupils placed directly by the
13 State in accordance with rules adopted or amended by
14 the commissioner; and

16 (2) Special education tuition and other tuition for
17 residents of state-operated institutions attending
18 programs in school administrative units or private
19 schools in accordance with rules adopted or amended by
20 the commissioner; and

22 B. The state share of the total operating allocation and
23 the total debt service allocation described in sections
24 15683 and 15683-A; and

26 2. Local cost share expectation. Establish the local cost
27 share expectation described in section 15671-A.

28 Funds for appropriations under this section must be placed
29 in a single account.

32 §15689-F. Actions by department

34 Within the annual appropriations, the department shall
35 follow the procedures described in this section.

36 1. State's obligation. If the State's continued obligation
37 for any program provided by one of the appropriated amounts under
38 section 15689-E exceeds the appropriated amount, any unexpended
39 balance from another of those appropriated amounts may be applied
40 by the commissioner toward the obligation for that program.

42 2. Cash flow. For the purpose of cash flow, the
43 commissioner may pay the full state and local share of the
44 payment amounts due on bond issues for school construction from
45 that school administrative unit's state subsidy, excluding
46 payments on non-state-funded projects. This subsection does not
47 apply if a school administrative unit has less subsidy than the
48 total principal and interest payment on bonds.

Sec. D-62. 20-A MRSA §§15690 to 15695 are enacted to read:

§15690. Local appropriations

Beginning with the budget for the 2005-2006 school year, the following provisions apply to local appropriations for school purposes.

1. School administrative unit contribution to total cost of funding public education from kindergarten to grade 12. The legislative body of each school administrative unit may vote to raise and appropriate an amount up to its required contribution to the total cost of education as described in section 15688.

A. For a municipal school unit, an article in substantially the following form must be used when a single municipal school administrative unit is considering the appropriation of an amount up to its required contribution to the total cost of education as described in section 15688.

(1) "Article.....: To see what sum the municipality will appropriate for the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act (Recommend \$.....) and to see what sum the municipality will raise as the municipality's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act in accordance with the Maine Revised Statutes, Title 20-A, section 15688. (Recommend \$.....)"

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act is the amount of money determined by state law to be the minimum amount that a municipality must raise in order to receive the full amount of state dollars."

B. For a school administrative district or a community school district, an article in substantially the following form must be used when the school administrative district or community school district is considering the appropriation of an amount up to its required contribution to the total cost of education as described in section 15688.

2 (1) "Article: To see what sum each municipality
4 will appropriate for the school administrative unit's
6 contribution to the total cost of funding public
8 education from kindergarten to grade 12 as described in
10 the Essential Programs and Services Funding Act and to
12 see what sum each municipality will raise as each
14 municipality's contribution to the total cost of
16 funding public education from kindergarten to grade 12
18 as described in the Essential Programs and Services
20 Funding Act in accordance with the Maine Revised
22 Statutes, Title 20-A, section 15688 (Recommends):

<u>Total cost by</u>	<u>Municipal local</u>
<u>municipality</u>	<u>contribution</u>
<u>Town A (\$amount)</u>	<u>Town A (\$amount)</u>
<u>Town B (\$amount)</u>	<u>Town B (\$amount)</u>
<u>Town C (\$amount)</u>	<u>Town C (\$amount)</u>
<u>School District</u>	<u>School District</u>
<u>Total (\$sum of above)</u>	<u>Total (\$sum of</u> <u>above)"</u>

26 (2) The following statement must accompany the article
28 in subparagraph (1). "Explanation: The school
30 administrative unit's contribution to the total cost of
32 funding public education from kindergarten to grade 12
34 as described in the Essential Programs and Services
 Funding Act is the amount of money determined by state
 law to be the minimum amount that each municipality
 must raise in order to receive the full amount of state
 dollars."

36 C. The state share of the total cost of funding public
38 education from kindergarten to grade 12 as described in
40 section 15688, excluding state-funded debt service for each
42 school administrative unit, is limited to the same
44 proportion as the local school administrative unit raises of
 its required contribution to the total cost of education as
 described in section 15688, excluding state-funded debt
 service costs.

46 2. Non-state-funded debt service. For each school
48 administrative unit's contribution to debt service for
 non-state-funded major capital school construction projects or
 non-state-funded portions of major capital school construction
 projects, the legislative body of each school administrative unit

2 may vote to raise and appropriate an amount up to the
3 municipality's or district's annual payments for non-state-funded
4 debt service.

6 A. An article in substantially the following form must be
7 used when a school administrative unit is considering the
8 appropriation for debt service allocation for
9 non-state-funded school construction projects or
10 non-state-funded portions of school construction projects.

12 (1) "Article: To see what sum the (municipality
13 or district) will raise for the annual debt service
14 payments on a non-state-funded school construction
15 project or non-state-funded portion of a school
16 construction project in addition to the funds
17 appropriated as the local share of the school
18 administrative unit's contribution to the total cost of
19 funding public education from kindergarten to grade
20 12. (Recommend \$.....)"

22 (2) The following statement must accompany the article
23 in subparagraph (1). "Explanation: Non-state-funded
24 debt service is the amount of money needed for the
25 annual payments on the (municipality's or district's)
26 long-term debt for major capital school construction
27 that is not approved for state subsidy. The bonding of
28 this long-term debt was approved by the voters on (date
29 of original referendum)."

30 3. Additional local appropriation. A school administrative
31 unit may raise and expend funds for educational purposes in
32 addition to the funds under subsections 1 and 2.

34 A. If the amount of the additional funds does not result in
35 the unit's exceeding its maximum state and local spending
36 target established pursuant to section 15671-A, subsection
37 4, an article in substantially the following form must be
38 used when a school administrative unit is considering the
39 appropriation of additional local funds:

40 (1) "Article: To see what sum the (municipality
41 or district) will raise and to appropriate the sum of
42 (Recommend \$.....) in additional local funds for school
43 purposes under the Maine Revised Statutes, Title 20-A,
44 section 15690. (Recommend \$.....)"

46 (2) The following statement must accompany the article
47 in subparagraph (1). "Explanation: The additional
48 local funds are those locally raised funds over and
49 above the school administrative unit's local
50 and above the school administrative unit's local

2 contribution to the total cost of funding public
3 education from kindergarten to grade 12 as described in
4 the Essential Programs and Services Funding Act and
5 local amounts raised for the annual debt service
6 payment on non-state-funded school construction
7 projects or the non-state-funded portion of a school
8 construction project that will help achieve the
9 (municipality's or district's) budget for educational
10 programs."

11 B. If the amount exceeds the unit's maximum state and local
12 spending target established pursuant to section 15671-A,
13 subsection 4, an article in substantially the following form
14 must be used when a school administrative unit is
15 considering an appropriation of additional local funds.

16 (1) "Article: Shall (name of municipality or
17 district) raise and appropriate \$..... in additional
18 local funds, which exceeds the State's Essential
19 Programs and Services funding model by \$.....?"

20 The (school committee or board of directors) recommends
21 \$..... for the following reasons: (state reasons)

22 (2) The following statement must accompany the article
23 in subparagraph (1). "Explanation: The additional
24 local funds are those locally raised funds over and
25 above the school administrative unit's local
26 contribution to the total cost of funding public
27 education from kindergarten to grade 12 as described in
28 the Essential Programs and Services Funding Act and
29 local amounts raised for the annual debt service
30 payment on non-state-funded school construction
31 projects or the non-state-funded portion of a school
32 construction project that will help achieve the
33 (municipality's or district's) budget for educational
34 programs."

35 4. Total budget article. A school administrative unit must
36 include a summary article indicating the total annual budget for
37 funding public education from kindergarten to grade 12 in the
38 school administrative unit. The amount recommended must be the
39 gross budget of the school system. This article does not provide
40 money unless the other articles are approved.

41 A. "Article: To see what sum the (municipality or
42 district) will authorize the school committee to expend for
43 the fiscal year beginning (July 1,) and ending (June
44 30,) from the school administrative unit's contribution
45 to the total cost of funding public education from

2 kindergarten to grade 12 as described in the Essential
3 Programs and Services Funding Act, non-state-funded school
4 construction projects, additional local funds for school
5 purposes under the Maine Revised Statutes, Title 20-A,
6 section 15690, unexpended balances, tuition receipts, state
7 subsidy and other receipts for the support of schools.
8 (Recommend \$.....)"

9
10 5. Vote. Actions taken pursuant to subsections 1 to 4 must
11 be taken by a recorded vote.

12 6. Administrative costs for units with no pupils. If a
13 school administrative unit is required to pay administrative
14 costs and has no allocation of state or local funds, that unit
15 may raise and expend funds for administrative costs.

16 **§15691. Municipal assessment paid to district**

17
18 1. Presentation of assessment schedule. The assessment
19 schedule based on the budget approved at a community school
20 district or school administrative district budget meeting must be
21 presented to the treasurer of each municipality that is a member
22 of the district.

23
24 The assessment schedule must include each member municipality's
25 share of the school administrative unit's contribution to the
26 total cost of funding public education from kindergarten to grade
27 12 as described in section 15688, the school administrative
28 unit's contribution to debt service for non-state-funded school
29 construction projects and additional local funds for school
30 purposes under section 15690.

31
32 2. Municipal treasurer's payment schedule. The treasurer of
33 the member municipality, after being presented with the
34 assessment schedule, shall forward 1/12 of that member
35 municipality's share to the treasurer of the district on or
36 before the 20th day of each month of the fiscal year beginning in
37 July.

38
39 **§15692. Special school districts**

40
41 1. School administrative unit. For the purposes of section
42 15695 and Title 20, sections 3457 to 3460, a special school
43 district is deemed to be a school administrative unit.

44
45 2. Debt service. Debt service on bonds or notes issued by a
46 special school district must be included in the school budget of
47 the school administrative unit that operates the schools
48 constructed by that district. The school board for the school
49 administrative unit that operates the special district's schools
50

2 shall pay to the special school district all sums necessary to
3 meet the payments of principal and interest on bonds or notes
4 when due and to cover maintenance or other costs for which the
5 special school district is responsible.

6 **§15693. School budget; budget formats**

8 1. Content. A school administrative unit shall include in
9 its school budget document:

10 A. The school administrative unit's total cost of funding
11 public education from kindergarten to grade 12, its
12 non-state-funded debt service, if any, and any additional
13 expenditures authorized by law;

14 B. A summary of anticipated revenues and estimated school
15 expenditures for the fiscal year; and

16 C. The following statement, including the estimated dollar
17 amount of state retirement payments: "This budget does not
18 include the estimated amount of \$..... in employer share
19 of teacher retirement costs that is paid directly by the
20 State."

21 2. Budget deadlines. The following time limitations apply
22 to adoption of a school budget under this section.

23 A. At least 7 days before the initial meeting of the
24 legislative body responsible for adopting a budget, the
25 school administrative unit shall provide a detailed budget
26 document to that legislative body and to any person who
27 requests one and resides within the geographic area served
28 by the school administrative unit.

29 B. Notwithstanding a provision of law or charter to the
30 contrary, school administrative units may adopt an annual
31 budget prior to June 30th. The school budgets for career
32 and technical education regions must be adopted on or before
33 August 1st.

34 C. Notwithstanding any municipal charter provision,
35 ordinance or other law to the contrary, if the level of
36 state subsidy for the next school year is not finalized in
37 accordance with this chapter before June 1st, the school
38 board may delay a school budget meeting otherwise required
39 to be held before July 1st to a date after July 1st. If a
40 school board elects to delay a school budget meeting under
41 this paragraph, the meeting must be held and the budget
42 approved within 30 days of the date the commissioner
43 notifies the school board of the amount allocated to the
44 meeting.

2 school administrative unit under section 15689-B. When a
3 school budget meeting is delayed under this paragraph, the
4 school administrative unit may continue operation of the
5 unit at the same budget levels as were approved for the
6 previous year. Continued operation under the budget for the
7 previous year is limited to the time between July 1st and
8 the date the new budget goes into effect.

9
10 3. Budget format. The following provisions apply to a
11 budget format.

12 A. Except as provided in subsection 4, the budget format is
13 that prescribed by a majority of the school board until an
14 article prescribing the school budget format is approved by
15 a majority of voters in an election in which the total vote
16 is at least 20% of the number of votes cast in the
17 municipality in the last gubernatorial election, or 200,
18 whichever is less.

19
20 B. The format of the school budget may be determined in
21 accordance with section 1306.

22
23 C. It is the intent of the Legislature that a school board
24 shall attempt to obtain public participation in the
25 development of the school budget format.

26
27 4. Budget format; town or city charter. In a municipality
28 where the responsibility for final adoption of the school budget
29 is vested by municipal charter in a council, the school budget
30 format may be changed through amendment of the charter under the
31 home rule procedures of Title 30-A, chapter 111, except that the
32 amendment must be approved by a majority of voters in an election
33 in which the total vote is at least 20% of the number of votes
34 cast in the municipality in the last gubernatorial election.

35
36 5. Budget format; town meeting. When the final budget
37 authority is vested in a town meeting operating under the general
38 enabling procedures of Title 30-A, the format of the school
39 budget may be determined by the town meeting or under the
40 procedures of Title 30-A, section 2522 or 2528.

41
42 6. Budget format; community school district. The following
43 provisions apply to the budget format of a community school
44 district.

45
46 A. An article containing the district's proposed budget
47 format must be placed on the next warrant issued or ballot
48 printed if:

2 (1) A majority of the district school committee votes
to place it on the warrant or ballot; or

4 (2) A written petition signed by at least 10% of the
number of voters voting in the last gubernatorial
6 election in each municipality within the community
school district requests it to be on the warrant or
8 ballot.

10 B. The article containing the budget format may be voted on
by secret ballot at an election conducted in accordance with
12 Title 30-A, sections 2528 to 2532.

14 C. The district school committee shall:

16 (1) Issue a warrant specifying that the municipal
officers of the municipalities within the community
18 school district shall place the budget format article
on the secret ballot; and

20 (2) Prepare and furnish the required number of ballots
for carrying out the election, including absentee
22 ballots.

24 7. Budget format: articles. The articles prescribed in this
26 chapter must be included in the budget format and be voted on in
the adoption of the budget in order to determine state and local
28 cost sharing.

30 8. Change in budget format. Any change in the budget format
must be voted on at least 90 days prior to the budget year for
32 which that change is to be effective.

34 §15694. Actions on budget

36 The following provisions apply to approving a school budget
under this chapter.

38 1. Checklist required. Prior to a vote on articles dealing
40 with school appropriations, the moderator of a regular or special
school budget meeting shall require the clerk or secretary to
42 make a checklist of the registered voters present. The number of
voters listed on the checklist is conclusive evidence of the
44 number present at the meeting.

46 2. Reconsideration. Notwithstanding any law to the
contrary, in school administrative units where the school budget
48 is finally approved by the voters, a special budget meeting to
reconsider action taken on the budget may be called only as
50 follows.

2 A. The meeting must be held within 30 days of the regular
3 budget meeting at which the budget was finally approved.

4
5 B. In a school administrative district or community school
6 district, the meeting must be called by the school board or
7 as follows.

8
9 (1) A petition containing a number of signatures of
10 legal voters in the member municipalities of the school
11 administrative unit equalling at least 10% of the
12 number of voters who voted in the last gubernatorial
13 election in member municipalities of the school
14 administrative unit, or 100 voters, whichever is less,
15 and specifying the article or articles to be
16 reconsidered must be presented to the school board
17 within 15 days of the regular budget meeting at which
18 the budget was finally approved.

19 (2) On receiving the petition, the school board shall
20 call the special budget reconsideration meeting, which
21 must be held within 15 days of the date the petition
22 was received.

23 C. In a municipality, the meeting must be called by the
24 municipal officers:

25 (1) Within 15 days after receipt of a request from the
26 school board, if the request is received within 15 days
27 of the budget meeting at which the budget was finally
28 approved and it specifies the article or articles to be
29 reconsidered; or

30 (2) Within 15 days after receipt of a written
31 application presented in accordance with Title 30-A,
32 section 2532, if the application is received within 15
33 days of the budget meeting at which the budget was
34 finally approved and it specifies the article or
35 articles to be reconsidered.

36 3. Invalidation of action of special budget reconsideration
37 meeting. If a special budget meeting is called to reconsider
38 action taken at a regular budget meeting, the actions of the
39 meeting are invalid if the number of voters at the special budget
40 meeting is less than the number of voters present at the regular
41 budget meeting.

42 4. Line-item transfers. Meetings requested by a school
43 board for the purpose of transferring funds from one category or
44 line item to another must be posted for voter or council action
45 within 15 days of the date of the request.

2 **§15695. Bonds; notes; other**

4 All bonds, notes or other evidences of indebtedness issued
6 for school purposes by a school administrative unit for major
8 capital expenses, bus purchases or current operating expenses,
including tax or other revenue anticipation notes, are general
obligations of the unit.

10 1. Tax assessments. The municipal officers or school board
12 shall require the sums that are necessary to meet in full the
14 principal of and interest on the bonds, notes or other evidences
of indebtedness issued pursuant to this section payable in each
year to be assessed and collected in the manner provided by law
for the assessment and collection of taxes.

16 2. Reduction. The sums to be assessed and collected under
18 subsection 1 must be reduced by the amount of an allocation of
20 funds appropriated by the Legislature to pay the principal and
22 interest owed by the school administrative unit in a given year
as certified to the unit by the commissioner. The commissioner
shall certify the amount due to the unit within 30 days of its
appropriation by the Legislature.

24 3. Collection. After assessment and reduction under
26 subsection 2, the remaining sum must be paid from ad valorem
28 taxes, which may be levied without limit as to rate or amount
upon all the taxable property within the school administrative
unit.

30 **Sec. D-63. 20-A MRSA c. 608** is enacted to read:

32 **CHAPTER 608**

34 **SCHOOL FINANCE ACT OF 2003**

36 **§15751. Short title**

38 This chapter may be known and cited as "the School Finance
40 Act of 2003."

42 **§15752. Mandated legislative appropriations for kindergarten**
44 **to grade 12 education**

46 In accordance with the phase-in schedule provided in chapter
48 606-B, beginning in fiscal year 2008-09, the Legislature each
year shall provide at least 55% of the cost of the total
allocation for kindergarten to grade 12 education from General
Fund revenue sources.

50

2 For the purposes of this chapter, and until such time as the
3 Legislature may implement an alternative school funding system,
4 "total allocation" means the foundation allocation for a year,
5 the debt service allocation for that year, the sum of all
6 adjustments for that year and the total of the additional local
7 appropriations for the prior year. In the event the Legislature
8 implements an alternative school funding model that alters the
9 meaning of the terms used in this Title or otherwise makes
10 obsolete the system of allocations and local appropriations
11 established by this Title, the term "total allocation" as it
12 applies to the mandatory appropriation required by this section
13 means the amount reasonably calculated as the equivalent of this
14 definition.

15 **§15753. Mandated legislative appropriations for special education**

16 Except as provided in section 15689, subsection 1, but
17 notwithstanding any other provision of chapter 606-B, the
18 Legislature shall provide 100% of a school administrative unit's
19 special education costs as calculated pursuant to section
20 15681-A, subsection 2.

21 For the purposes of the mandatory appropriation required by
22 this section, and in accordance with the essential programs and
23 services school funding allocation system established in chapter
24 606-B, the commissioner shall identify and provide in the
25 commissioner's recommendation pursuant to section 15689-C the
26 total special education costs required to be funded pursuant to
27 this section. In addition to any appropriations required by
28 section 15689-E, the Legislature shall appropriate and ensure the
29 accurate distribution of the total amount identified by the
30 commissioner, adjusted by the federal reimbursements for the
31 costs of special education services mandated by federal or state
32 law, rule or regulation that will be provided to the individual
33 school administrative units for that same school year.

34 **§15754. Fund for the Efficient Delivery of Educational Services**

35 The Fund for the Efficient Delivery of Educational Services,
36 referred to in this section as "the fund," is established as a
37 dedicated nonlapsing account within the Department of Education.
38 This section provides for the design, implementation,
39 administration and use of the fund.

40 1. Source of funds; purpose. Funds for appropriations
41 under this section must be appropriated in addition to the total
42 amount annually appropriated for general purpose aid for local
43 schools and must be placed into a single account. Beginning in
44 fiscal year 2005-06 and in each succeeding fiscal year until
45 fiscal year 2008-09, an amount calculated to be not greater than
46 2% of the total amount annually appropriated for general purpose
47 aid for local schools shall be available for the purposes of this
48 section.

2 aid for local schools must be dedicated to the fund and
4 distributed from the fund to those school administrative units
6 and municipalities that are able to demonstrate significant and
8 sustainable savings in the cost of delivering educational
10 services and improved student achievement through changes in
12 governance, administrative structure or adopted policy that
14 result in the creation of consolidated school administrative
16 units, broad-based purchasing alliances, enhanced regional
18 delivery of educational services or collaborative
20 school-municipal service delivery or service support systems.

22 Beginning in fiscal year 2005-06, the Legislature shall annually,
24 prior to March 15th, enact legislation to allocate the following
26 amounts calculated based on the amount appropriated for general
28 purpose aid for local schools to the fund during each of the
30 following fiscal years:

32 A. In fiscal year 2005-06, an amount equivalent to 0.83% of
34 the total amount appropriated for general purpose aid for
36 local schools;

38 B. In fiscal year 2006-07, an amount equivalent to 0.69% of
40 the total amount appropriated for general purpose aid for
42 local schools;

44 C. In fiscal year 2007-08, an amount equivalent to 1.5% of
46 the total amount appropriated for general purpose aid for
48 local schools; and

50 D. In fiscal year 2008-09, an amount equivalent to 2% of
52 the total amount appropriated for general purpose aid for
54 local schools.

56 Any balance remaining in the fund at the end of any fiscal year
58 does not lapse and must be carried forward for the next fiscal
60 year.

62 2. Administration; plan for implementation of the fund.
64 The department shall administer the fund or may contract for
66 services for administration of the fund. The commissioner, in
68 consultation with the Executive Department, State Planning Office
70 and the other agencies, organizations and individuals determined
72 appropriate by the commissioner, shall establish an
74 implementation plan for the fund that includes, but is not
76 limited to, the following:

78 A. The establishment of criteria through which school
80 administrative units and municipalities may demonstrate
82 significant and sustainable savings in the cost of
84 delivering educational services and improved student
86 achievement.

2 achievement through changes in governance, administrative
3 structure or adopted policy that result in the creation of
4 consolidated school administrative units, broad-based
5 purchasing alliances, enhanced regional delivery of
6 educational services or collaborative school-municipal
7 service delivery or service support systems;

8 B. Pursuant to criteria established in accordance with this
9 section, a school administrative unit or municipality may
10 apply to the commissioner for a distribution from the fund
11 during the period beginning with the start of fiscal year
12 2005-06 and ending prior to the end of fiscal year 2008-09;
13 and

14 C. Pursuant to criteria established in accordance with this
15 section, the commissioner may authorize distributions from
16 the fund in the form of competitive and planning grants.

17 **§15755. Entitlement**

18 The State's school administrative units and municipalities
19 are entitled to the appropriations required by this chapter.

20 **Sec. D-64. 30-A MRSA §2181, sub-§4, ¶E,** as enacted by PL 2003,
21 c. 696, §12, is amended to read:

22 E. Identify best management practices and make this
23 information available to the public, including, but not
24 limited to, best management practices that facilitate
25 property tax rate reduction pursuant to the increasing state
26 share of the total cost of essential programs and services
27 under Title 20-A, chapter 606-B;

28 **Sec. D-65. 30-A MRSA §6006-F, sub-§6,** as enacted by PL 1997,
29 c. 787, §13, is amended to read:

30 **6. Forgiveness of principal payments.** The fund must
31 provide direct grants by forgiving the principal payments of a
32 loan for an eligible school administrative unit. The amount of
33 the forgiveness of principal payments must be determined by the
34 school administrative unit's state share percentage of ~~debt~~
35 ~~service-costs~~ as determined in Title 20-A, section ~~15611~~ 15672,
36 subsection 31, not to exceed:

37 **A.** Seventy percent and no less than 30% for health, safety
38 and compliance;

39 **B.** Seventy percent and no less than 30% for repairs and
40 improvements; and

2 C. ~~Fifty~~ ~~Seventy~~ percent and no less than 20% ~~30%~~ for
learning space upgrades.

4 **Sec. D-66. Fund for the Efficient Delivery of Educational Services;**
implementation plan. The Commissioner of Education shall submit a
6 proposed plan to govern the design, implementation, management
and oversight of the Fund for the Efficient Delivery of
8 Educational Services established in the Maine Revised Statutes,
Title 20-A, section 15754 to the Joint Standing Committee on
10 Education and Cultural Affairs by March 31, 2005. As part of
this review, the commissioner shall consider the efficient
12 delivery of educational services in rural and isolated small
school administrative units. The joint standing committee may
14 report out a bill designed in accordance with the intentions of
this Part to govern the design, implementation, management and
16 oversight of the Fund for the Efficient Delivery of Educational
Services.

18 **Sec. D-67. Fund for the Efficient Delivery of Educational Services;**
distribution of the fund in fiscal year 2005-06. Notwithstanding the
20 Maine Revised Statutes, Title 20-A, section 15754, the
allocations from the General Purpose Aid to Local Schools program
22 in fiscal year 2005-06 to the Fund for the Efficient Delivery of
Educational Services must be used for the transition adjustment
24 pursuant to Title 20-A, section 15686, subsection 1. The
allocation of funds from the Fund for the Efficient Delivery of
26 Educational Services must be distributed to school administrative
units that are eligible for the transition adjustment under the
28 criteria established in Title 20-A, section 15686, subsection 1.

30 **Sec. D-68. Sharing of total costs in school administrative districts and**
community school districts; Department of Education review.
Notwithstanding the Maine Revised Statutes, Title 20-A, section
32 15688, subsection 2 and to ensure that member municipalities of
school administrative districts and community school districts
34 whose cost-sharing formulas were established in accordance with
Title 20-A, sections 1301 and 1704, respectively, do not
36 experience significant adverse effects as a result of the
cost-sharing mechanism established pursuant to Title 20-A,
38 section 15688, subsection 2, the Department of Education shall
conduct a review and analysis, for each school administrative
40 unit, of the implications of this proposed cost-sharing mechanism
on the member municipalities of these school administrative
42 districts and community school districts. The Department of
Education shall assist the member municipalities of these school
44 districts in developing transition plans that include a phase-in
to achieve the new method of determining member municipalities'
46 local cost of education in accordance with Title 20-A, section
15688, subsection 2 no later than fiscal year 2008-09. The
48

2 Department of Education shall report the findings of this review,
3 including any recommended legislation, to the Joint Standing
4 Committee on Education and Cultural Affairs by March 31, 2005.
5 The Joint Standing Committee on Education and Cultural Affairs is
6 authorized to introduce a bill related to the Department of
7 Education report to the First Regular Session of the 122nd
8 Legislature.

9
10 **Sec. D-69. Method of cost sharing; exception.** Beginning in
11 fiscal year 2005-06, the provisions of the Maine Revised
12 Statutes, Title 20-A, section 15688, subsection 2 do not apply in
13 determining the local cost of education of member municipalities
14 in Maine School Administrative Districts No. 6 and No. 44. The
15 cost-sharing formulas established between the member
16 municipalities in these 2 school administrative districts prior
17 to January 1, 2005 remain in effect until the formulas are
18 changed pursuant to Title 20-A, section 1301, subsection 3.
19 Pursuant to section 68, all other school administrative districts
20 and community school districts whose cost-sharing formulas were
21 established in accordance with Title 20-A, sections 1301 and
22 1704, respectively, remain subject to a phase-in approach to
23 achieve the requirements of Title 20-A, section 15688, subsection
24 2 and must reach full implementation of this provision no later
25 than fiscal year 2008-09.

26 **Sec. D-70. Criteria for isolated small school adjustment;**
27 **rulemaking.** For fiscal year 2005-06 and pursuant to the Maine
28 Revised Statutes, Title 20-A, section 15683, subsection 1,
29 paragraph F, the Commissioner of Education shall use the proposed
30 model that was approved by the State Board of Education during
31 its December 2004 meeting to determine the school administrative
32 units that qualify for the adjustment for isolated small schools,
33 except that the commissioner shall use the following criterion
34 change for isolated small elementary schools: for elementary
35 schools, the distance from the nearest school is reduced from 10
36 to 8 miles. The commissioner shall develop provisionally adopted
37 rules that establish the qualifications for the adjustment for
38 isolated small schools in accordance with Title 20-A, section
39 15687 no later than December 2, 2005 so that the Legislature may
40 consider these criteria during the Second Regular Session of the
41 122nd Legislature.

42
43 **Sec. D-71. Transition adjustment for fiscal year 2006-07.** To
44 minimize the adverse fiscal impact that may be experienced by
45 some school administrative units as a result of the phase-in of
46 the Essential Programs and Services Funding Act, the Commissioner
47 of Education shall facilitate a review and analysis of the need
48 for a transition adjustment in fiscal year 2006-07. The
49 Commissioner of Education, no later than January 13, 2006, shall
50 make a recommendation to the Joint Standing Committee on

2 Education and Cultural Affairs regarding the eligibility
3 requirements and funding levels necessary for a transition
4 adjustment in fiscal year 2006-07. The recommendations of the
5 Commissioner of Education must be consistent with the provisions
6 of the Maine Revised Statutes, Title 20-A, section 15686.

7 **Sec. D-72. Application.** This Part applies to school budgets
8 passed for the fiscal year beginning July 1, 2005, and thereafter.

9 **Sec. D-73. Effective date.** Except for that portion of this Part
10 that enacts the Maine Revised Statutes, Title 20-A, section 15754
11 and that portion that amends Title 30-A, section 2181, subsection
12 4, paragraph E, and except for sections 66 to 71, this Part takes
13 effect July 1, 2005.

14
15
16 **PART E**

17 **Sec. E-1. 36 MRS.A. §6201, sub-§1,** as amended by PL 1993, c.
18 670, §9, is further amended to read:

19 **1. Benefit base.** "Benefit base" means property taxes
20 accrued or rent constituting property taxes accrued. In the case
21 of a claimant paying both rent and property taxes for a
22 homestead, benefit base means both property taxes accrued and
23 rent constituting property taxes accrued. The benefit base may
24 not exceed \$3,000 for single-member households and \$4,000 for
25 households with 2 or more members.

26 **Sec. E-2. 36 MRS.A. §6201, sub-§11-A,** as amended by PL 1999, c.
27 401, Pt. R, §1 and affected by §2, is further amended to read:

28 **11-A. Rent constituting property taxes accrued for**
29 **nonelderly household.** "Rent constituting property taxes accrued
30 for nonelderly household" means ~~18%~~ 20% of the gross rent
31 actually paid in cash or its equivalent in any tax year by a
32 claimant and the claimant's household solely for the right of
33 occupancy of their Maine homestead in the tax year and which rent
34 constitutes the basis, in the succeeding calendar year, of a
35 claim for relief under this chapter by the claimant.

36 **Sec. E-3. 36 MRS.A. §6204,** as amended by PL 2001, c. 396, §42,
37 is further amended to read:

38 **§6204. Filing date**

39 A claim may not be paid unless the claim is filed with the
40 Bureau of Revenue Services on or after August 1st and on or
41 before the following ~~December~~ May 31st.

2 1. Exemption amount. Except for assessments for special
4 benefits, the just value of \$13,000 of the homestead of a
6 permanent resident of this State who has owned a homestead in
8 this State for the preceding 12 months is exempt from taxation.
10 In determining the local assessed value of the exemption, the
12 assessor shall multiply the amount of the exemption by the ratio
14 of current just value upon which the assessment is based as
16 furnished in the assessor's annual return pursuant to section
383. If the title to the homestead is held by the applicant
jointly or in common with others, the exemption may not exceed
\$13,000 of the just value of the homestead, but may be
apportioned among the owners who reside on the property to the
extent of their respective interests. A municipality responsible
for administering the homestead exemption has no obligation to
create separate accounts for each partial interest in a homestead
owned jointly or in common.

18 **Sec. F-2. 36 MRSA §683, sub-§1-A,** as enacted by PL 2003, c.
20, Pt. BB, §2 and affected by §3, is repealed.

22 **Sec. F-3. 36 MRSA §683, sub-§§3 and 4,** as enacted by PL 1997,
c. 643, Pt. HHH, §3 and affected by §10, are amended to read:

24 **3. Effect on state valuation.** The Fifty percent of the
just value of homesteads exempt under this subchapter must be
26 included in the annual determination of state valuation under
sections 208 and 305.

28 **4. Property tax rate.** The Fifty percent of the value of
30 homestead exemptions under this subchapter must be included in
the total municipal valuation used to determine the municipal tax
32 rate. The municipal tax rate as finally determined may be
applied to only the taxable portion of each homestead qualified
34 for that tax year.

36 **Sec. F-4. 36 MRSA §685, sub-§2,** as enacted by PL 1997, c. 643,
Pt. HHH, §3 and affected by §10, is amended to read:

38 **2. Entitlement to reimbursement by the State; calculation.**
40 A municipality that has approved homestead exemptions under this
subchapter may recover from the State ~~100%~~ 50% of the taxes lost
42 by reason of the exemptions upon proof in a form satisfactory to
the bureau. The bureau shall reimburse the Unorganized Territory
44 Education and Services Fund for ~~100%~~ 50% of taxes lost by reason
of the exemption.

46 **Sec. F-5. Application.** This Part applies to property tax
48 valuations determined on or after April 1, 2005.

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PART G

Sec. G-1. 30-A MRSA §5681, sub-§2, ¶C, as enacted by PL 1999, c. 731, Pt. U, §1, is amended to read:

C. "Annual growth ceiling" for fiscal year ~~2000-01~~ means ~~the amount certified by the Treasurer of State by September 1, 2000 as the amount transferred to the Local Government Fund in fiscal year 1999-00~~ 2005-06 means \$100,000,000. For subsequent fiscal years, "annual growth ceiling" must be determined by the State Tax Assessor by September 1st annually and means the annual growth ceiling adjusted by the lower of the increase for the previous fiscal year in the Consumer Price Index or the increase in receipts from the taxes imposed under Title 36, Parts 3 and 8. The annual growth ceiling may not be less than the annual growth ceiling for the previous year.

Sec. G-2. Application. This Part applies to fiscal years beginning on or after July 1, 2005.

PART H

Sec. H-1. 30-A MRSA §5681, sub-§5-B, as enacted by IB 2003, c. 2, §3, is amended to read:

5-B. Fund for the Efficient Delivery of Local and Regional Services. For the months beginning on or after July 1, 2004 and before the distributions required by subsections 4-A and 4-B, 2% of all receipts transferred each month pursuant to subsection 5 must be deposited in the Fund for the Efficient Delivery of Local and Regional Services, as established in subsection 3, and distributed to those municipalities and counties that can demonstrate significant and sustainable savings in the cost of delivering local and regional governmental services through collaborative approaches to service delivery, enhanced regional delivery systems, the consolidation of administrative services, the creation of broad-based purchasing alliances or the execution of interlocal agreements.

Sec. H-2. 36 MRSA Pt. 11 is enacted to read:

PART 11

STATE TAX POLICY GOALS

CHAPTER 931

2 TAX BURDEN REDUCTION GOALS

4 §7301. Tax burden reduction goals

6 It is the goal and policy of the State that by 2015 the
8 State's total state and local tax burden be ranked in the middle
10 1/3 of all states, as determined by the United States Census
12 Bureau's most recent tax burden analysis, adjusted by the
14 assessor to reflect the State's unique expenditure tax relief
16 programs.

18 It is the goal and policy of the State that additional state
20 funds provided to municipalities through increases in the state
22 share of education funding under the essential programs and
24 services funding model must, to the greatest possible extent, be
26 available for statewide property tax reduction.

28 §7302. Progress reporting and data

30 1. Assessment and report. The State Planning Office shall
32 separately assess and report on the progress made by the State,
34 municipalities, counties and school administrative units,
36 respectively, in achieving the tax burden reduction goals
38 established in section 7301.

40 2. Indicators; annual report. With reference to Title 5,
42 chapter 142; Title 20-A, section 15671, subsection 1; and Title
44 30-A, sections 706-A and 5721-A, the State Planning Office shall
46 develop and apply specific, quantifiable performance indicators
48 against which the progress in achieving the tax burden reduction
50 goals established in section 7301 can be measured. On January
15, 2006 and annually thereafter, the State Planning Office shall
report to the Governor and to the joint standing committee of the
Legislature having jurisdiction over taxation matters on the
progress made by the State, counties, municipalities and school
administrative units, respectively, in achieving the tax burden
reduction goals. The report required by this subsection must be
comprised of 4 distinct parts reporting on the progress made by
the State, municipalities, counties and school administrative
units, respectively. The State Planning Office may also include
in its report recommendations on alternative strategies to
achieve the tax burden reduction goals established in section
7301 that reflect the best practices in this State, other states
and other countries.

3. Data. The State Planning Office shall annually collect
and analyze data regarding spending and revenues for
municipalities, counties and school administrative units. The
State Planning Office shall submit an annual report that provides

information and analysis regarding government spending and revenue behavior and trends to the Governor and the joint standing committee of the Legislature having jurisdiction over taxation matters. The report must include information that identifies spending and revenue behavior by individual municipalities, counties and school administrative units. Upon request, other departments of State Government shall cooperate and assist the State Planning Office in the preparation of the report.

Sec. H-3. Fund for the Efficient Delivery of Local and Regional Services; distribution. The Department of Administrative and Financial Services shall present a bill to the First Regular Session of the 122nd Legislature by March 1, 2005 that establishes the details of a plan for the design, implementation, management and oversight of the Fund for the Efficient Delivery of Local and Regional Services, established in the Maine Revised Statutes, Title 30-A, section 5681, subsection 3, including the distribution of the fund, in the form of competitive grants and planning grants to municipalities, counties and regional government subdivisions that demonstrate significant and sustainable savings in the cost of delivering local and regional governmental services, or, in the case of planning grants, the potential for such savings, through collaborative approaches to service delivery, enhanced regional delivery systems, the consolidation of regional services and the creation of broad-based purchasing alliances.

PART I

Sec. I-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Homestead Property Tax Exemption Reimbursement 0886

Initiative: To increase the homestead exemption to \$13,000 and to provide 50% reimbursement to municipalities.

GENERAL FUND	2005-06	2006-07
All Other	\$53,872	\$162,789
GENERAL FUND TOTAL	<u>\$53,872</u>	<u>\$162,789</u>

Homestead Property Tax Exemption - Mandate Reimbursement 0887

Initiative: To reimburse municipalities 90% of the additional costs associated with changes to the homestead exemption.

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2	GENERAL FUND	2005-06	2006-07
	All Other	\$115,000	\$0
4		<hr/>	<hr/>
	GENERAL FUND TOTAL	\$115,000	\$0

Maine Revenue Services 0002

8
 Initiative: Provides funds for one Tax Examiner position and
 10 related costs associated with the expansion of the Maine
 Residents Property Tax Program, including one-time funds for
 12 computer programming costs.

14	GENERAL FUND	2005-06	2006-07
	POSITIONS - LEGISLATIVE COUNT	1.000	1.000
16	Personal Services	\$52,529	\$56,513
	All Other	\$109,517	\$85,002
18		<hr/>	<hr/>
	GENERAL FUND TOTAL	\$162,046	\$141,515

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF
 DEPARTMENT TOTALS**

22		2005-06	2006-07
24	GENERAL FUND	\$330,918	\$304,304
26	DEPARTMENT TOTAL - ALL FUNDS	\$330,918	\$304,304

EDUCATION, DEPARTMENT OF

General Purpose Aid for Local Schools 0308

32
 Initiative: Provides funds for the Fund for the Efficient
 34 Delivery of Educational Services. Funds appropriated in fiscal
 year 2005-06 only are to be used to provide transition
 36 adjustments in order to minimize the adverse fiscal impact that
 may be experienced by some municipalities as a result of the
 38 phase-in of the essential programs and services model.

40	GENERAL FUND	2005-06	2006-07
	All Other	\$6,962,382	\$6,194,152
42		<hr/>	<hr/>
	GENERAL FUND TOTAL	\$6,962,382	\$6,194,152

General Purpose Aid for Local Schools 0308

46
 Initiative: Appropriates funds in fiscal year 2005-06 in order
 48 to provide additional subsidy to local school units and
 deappropriates funds in fiscal year 2006-07 due to revised

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2 projections of the amount of subsidy required to fund the State's
 2 share of the cost of essential programs and services.

4	GENERAL FUND	2005-06	2006-07
	All Other	\$6,463,417	(\$5,963,417)
6			
	GENERAL FUND TOTAL	<u>\$6,463,417</u>	<u>(\$5,963,417)</u>

8 **Fund for the Efficient Delivery of Educational Services**

10 Initiative: Allocates funds for the Fund for the Efficient
 12 Delivery of Educational Services. Funds appropriated in fiscal
 14 year 2005-06 only are to be used to provide transition
 16 adjustments in order to minimize the adverse fiscal impact that
 may be experienced by some municipalities as a result of the
 phase-in of the essential programs and services model.

18	OTHER SPECIAL REVENUE FUNDS	2005-06	2006-07
	All Other	\$6,962,382	\$6,194,152
20			
	OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$6,962,382</u>	<u>\$6,194,152</u>

24	EDUCATION, DEPARTMENT OF		
	DEPARTMENT TOTALS	2005-06	2006-07
26			
	GENERAL FUND	\$13,425,799	\$230,735
28	OTHER SPECIAL REVENUE FUNDS	\$6,962,382	\$6,194,152
30			
	DEPARTMENT TOTAL - ALL FUNDS	<u>\$20,388,181</u>	<u>\$6,424,887</u>

32 **EXECUTIVE DEPARTMENT**

34 **State Planning Office 0082**

36 Initiative: Provides funds for contractual services for the
 required data collection, data entry and analysis.

38	GENERAL FUND	2005-06	2006-07
40	All Other	\$50,000	\$50,000
42			
	GENERAL FUND TOTAL	<u>\$50,000</u>	<u>\$50,000</u>

44	EXECUTIVE DEPARTMENT		
46	DEPARTMENT TOTALS	2005-06	2006-07
48			
	GENERAL FUND	\$50,000	\$50,000
50			
	DEPARTMENT TOTAL - ALL FUNDS	<u>\$50,000</u>	<u>\$50,000</u>

2	SECTION TOTALS	2005-06	2006-07
4	GENERAL FUND	\$13,806,717	\$585,039
	OTHER SPECIAL REVENUE FUNDS	\$6,962,382	\$6,194,152
6			
8	SECTION TOTAL - ALL FUNDS	\$20,769,099	\$6,779,191

10 SUMMARY

12 Part A establishes a General Fund appropriation limitation
14 that limits the growth of General Fund revenues to the rate
16 established by a formula that is based on real personal income
18 growth and population growth. The limit is higher when the state
and local tax burden for the State is reduced to the middle 1/3
of all states.

20 Part A also restructures the Maine Budget Stabilization Fund
22 and changes the primary use of the fund to budget stabilization
24 during periods when General Fund revenues are insufficient to
26 meet allowable General Fund appropriations. The Maine Budget
Stabilization Fund is capped at 12% of General Fund revenues.
When all designated year-end transfers of excess General Fund
revenues have reached their caps, excess revenues are transferred
to a new Tax Relief Fund for Maine Residents.

28 Part B establishes limits on the growth of county tax
30 assessments.

32 Part C establishes limits on the growth of municipal
property tax levies.

34 Part D:

36 1. Provides a 4-year ramp to achieve 55% state share of
38 100% of essential programs and services;

40 2. Modifies special education distributions by reducing the
42 minimum state allocation adjustment in fiscal year 2005-06 to be
44 the greater of the 5% minimum allocation or a percentage of the
46 school unit's special education costs. The percentage of special
education costs is increased from 84% to 100%. This provides
funds to be used for transition adjustments in fiscal year
2005-06;

48 3. Provides funds in fiscal year 2005-06 for transition
50 adjustments. Funds are provided by the modification to the
minimum state allocations as described in 2, above. Funds are
also provided by transferring funds from the Fund for the

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Efficient Delivery of Educational Services. The amendment moves a portion of the planned fiscal year 2006-07 appropriation to that fund forward to fiscal year 2005-06, thus making more funds available for transfer to transition adjustment purposes;

4. Directs the Commissioner of Education to develop and report recommendations for a transition adjustment in fiscal year 2006-07 to the Joint Standing Committee on Education and Cultural Affairs;

5. Directs the Department of Education to phase-in the impact of cost-sharing change; the Department of Education is directed to report its plan to the Joint Standing Committee on Education and Cultural Affairs by March 31, 2005;

6. Exempts SAD 6 and SAD 44 from the total cost of education mechanism enacted by Public Law 2003, chapter 712;

7. Provides a school administrative unit spending cap based on 100% of the essential programs and services total cost of education and provides for a local override process. It defines the article that must be voted upon in order to exceed the cap. It requires that in all cases where local voter approval of the article is provided for, the vote must be by referendum or written ballot. It provides that in cases where a municipal charter places final approval of the school budget in a council, a majority of the entire membership of the school board and the council must approve the article and, if the charter is otherwise silent as to the opportunity for voter approval of the article, provides for a voter petition process to call a referendum on the article;

8. Addresses conflicting provisions regarding administration and oversight of the Fund for Efficient Delivery of Educational Services. The Department of Education is directed to develop a proposed plan for administration and management of the fund, and the Joint Standing Committee on Education and Cultural Affairs is authorized to report out a bill to the First Regular Session of the 122nd Legislature; and

9. Clarifies one change to the criteria to be used in determining the adjustment for isolated small schools in fiscal year 2005-06 and directs the Commissioner of Education to develop provisionally adopted rules on the adjustment for isolated small schools and submit those rules to the Second Regular Session of the 122nd Legislature.

Part E changes the Maine Residents Property Tax Program, also known as the circuit breaker program, by eliminating income eligibility requirements, raising the maximum benefit from \$1,000 to \$2,000, extending the application period through May 31st

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2 annually and establishing the maximum property taxes and rent
constituting property taxes that may be considered in calculating
the benefit.

4
6 Part F increases the homestead property tax exemption to
\$13,000 for all homesteads.

8 Part G sets the ceiling on the Local Government Fund under
10 state-municipal revenue sharing at \$100,000,000 in fiscal year
2005-06 and provides for future indexing of the ceiling according
12 to the Consumer Price Index. This change increases the portion
of state-municipal revenue sharing funds transferred to the
14 Disproportionate Tax Burden Fund, also referred to as Revenue
Sharing 2, which provides greater payments to municipalities with
tax rates exceeding 10 mills.

16
18 Part H establishes the goal of reducing the total state and
local tax burden to the middle 1/3 of all states by 2015. It
20 also requires the State Planning Office to monitor and report on
the progress of state and local government in meeting this goal
22 and to collect and analyze data relating to state and local
spending and revenues.

24 Part I adds an appropriations and allocations section.

26 **FISCAL NOTE REQUIRED**
(See attached)

COMMITTEE AMENDMENT

**122nd MAINE LEGISLATURE**

LD 1

LR 0328(02)

An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels**Fiscal Note for Bill as Amended by Committee Amendment " "****Committee: Joint Select Committee on Property Tax Reform****Fiscal Note Required: Yes****Majority Report****Fiscal Note**

	2005-06	2006-07	Projections 2007-08	Projections 2008-09
Net Cost (Savings)				
General Fund	\$ 29,678,528	\$ 16,751,144	\$ 32,806,416	\$ 41,288,094
Appropriations/Allocations				
General Fund	\$ 13,806,717	\$ 585,039	\$ 15,079,495	\$ 21,430,377
Other Special Revenue Funds	\$ 6,962,382	\$ 6,194,152	\$ 14,552,541	\$ 20,730,6
Revenue				
General Fund	\$ (15,871,811)	\$ (16,166,105)	\$ (17,726,921)	\$ (19,857,717)
Other Special Revenue Funds	\$ (870,605)	\$ (886,749)	\$ (972,363)	\$ (1,089,242)
Fiscal Detail and Notes				
General Fund Summary - Costs (Savings)	2005-06	2006-07	2007-08	2008-09
Additional amount needed to fund EPS in bill above Governor's Current Services Budget Proposal for the 2006-2007 Biennium ¹	\$6,463,417	\$ (5,963,417)	\$ -	\$ -
Additional amount needed to fund Efficient Delivery of Educational Services Fund ²	\$ 6,962,382	\$ 6,194,152	\$ 14,552,541	\$ 20,730,626
Homestead 50% @ \$13,000 ³	\$ 53,872	\$ 162,789	\$ 330,135	\$ 497,481
Homestead - Mandate Reimbursement	\$ 115,000	\$ -	\$ -	\$ -
Circuit Breaker Expansion ⁴	\$ 16,594,129	\$ 16,866,209	\$ 18,443,539	\$ 20,590,019
Individual Income Tax ⁵	\$ (722,318)	\$ (700,104)	\$ (716,618)	\$ (732,302)
State Planning Office	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Maine Revenue Services Administrative Costs	\$ 162,046	\$ 141,515	\$ 146,819	\$ 152,270
Net General Fund Cost (Savings)	\$ 29,678,528	\$ 16,751,144	\$ 32,806,416	\$ 41,288,0
Net Funding Contained in Budget	\$ 4,481,802	\$ 4,445,590	\$ 4,423,817	\$ 4,416,359
Additional Amount Required	\$ 25,196,726	\$ 12,305,554	\$ 28,382,599	\$ 36,871,735

- ¹ Additional General Fund amount required is a function of funding EPS model as in LD 1 vs. what is included in the Governor's Proposed Current Services Budget for the 2006-2007 Biennium. It does not reflect the impact of IB 2003, Chapter 2, approved by the voters on June 8, 2004, which becomes operative in January of 2005, barring legislative action.
- ² The General Fund appropriations required to fund the State's share of the cost of Essential Programs and Services for FY 2005-06 and FY 2006-07, as proposed in this legislation, is included in the Governor's Proposed Current Services Budget for the 2006-2007 Biennium. Additional General Fund appropriations will be required to establish the Fund for the Efficient Delivery of Educational Services as a dedicated fund within the Department of Education which was approved by the voter's in IB 2003, c. 2. However, this bill differs from IB 2003, c. 2 in that it proposes to phase-in the requirement that 2% of the annual state appropriation for education be dedicated to providing incentive-based resources to those local school units or municipalities that develop sustainable cost savings in the delivery of educational services. It also allows for the funds to be used for transition adjustments in fiscal year 2005-06 only in order to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of the Essential Programs and Services model.
- ³ Appropriations required to fund the Homestead exemption at \$13,000 with 50% reimbursement from the State to the Municipalities.
- ⁴ Revenue loss from the expansion of the Maine Residents Property Tax program (Circuit Breaker).
- ⁵ Increase in individual income tax revenue as a result of changes in the deductability of local property taxes.

Other Impacts

This bill establishes a General Fund appropriations limitation and limitations on county and municipal tax assessments. It also changes the authorized uses of the Maine Budget Stabilization Fund, the statutory cap on the balance of the fund and the methodology for determining transfers into the fund.

The bill increases the percentage of a loan for learning space upgrades from the School Revolving Renovation Fund that may be forgiven. Increasing the percentage of a loan that may be forgiven may result in less money being available from the Fund for future projects. The impact to the Fund cannot be determined at this time.

Local Government Fund Impact	2005-06	2006-07	2007-08	2008-09
Revenue loss - Circuit Breaker expansion	\$ (910,226)	\$ (925,151)	\$ (1,011,671)	\$ (1,129,410)
Revenue increase - Individual Income Tax	\$ 39,621	\$ 38,402	\$ 39,308	\$ 40,168
Net Change	\$ (870,605)	\$ (886,749)	\$ (972,363)	\$ (1,089,242)

This fiscal estimate is based on the Governor's draft budget proposals as presented on January 7, 2005 and may have to be revised based on final legislative actions.