

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)



STATE LAW LIBRARY
AUGUSTA, MAINE

122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 1

H.P. 6

House of Representatives, December 1, 2004

**An Act To Increase the State Share of Education Costs, Reduce
Property Taxes and Reduce Government Spending at All Levels**

(EMERGENCY)

Reference to the Joint Select Committee on Property Tax Reform suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative RICHARDSON of Brunswick. (GOVERNOR'S BILL)
Cosponsored by Senator EDMONDS of Cumberland.

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

Whereas, this Act provides a variety of tools to reduce the property tax burden of Maine residents, including of those residents most in need of such reductions, and the overall state and local tax burden; and

Whereas, the tools to reduce property taxes provided in this Act include an increase in the state share of education funding and measures to control government spending at the state, county, municipal and school district levels in a manner that respects the role of local decision making and thus provide means to control the demand for property tax revenues; and

Whereas, property tax reduction is a major concern of the people of Maine as evidenced by the Legislature's consideration and debate of a variety of proposals on this topic in recent years, including citizen-initiated legislation;

Whereas, property tax reduction to Maine residents and businesses will provide an important improvement to the State's business climate and a potential stimulus of the state economy as a result; and

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

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

PART A

Sec. A-1. 5 MRSA §1511, as amended by PL 2003, c. 451, Pt. X, §1, is repealed.

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

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

Sec. A-4. 5 MRSA c. 142 is enacted to read:

CHAPTER 142

MAINE BUDGET STABILIZATION FUND

2 **§1531. Definitions**

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

8 1. Adjusted General Fund appropriation. "Adjusted General
10 Fund appropriation" means the General Fund appropriation for a
12 given fiscal year plus any non-General Fund allocation for that
14 fiscal year that will require a General Fund appropriation in
16 upcoming fiscal years.

18 2. Baseline General Fund revenue. "Baseline General Fund
20 revenue" means the recommended General Fund revenue forecast
22 reported by the Revenue Forecasting Committee in its December 1st
24 report, increased by the estimated amount of net tax reductions
26 enacted in either the previous or current Legislature. The
28 estimated amount of net tax reductions is based on the estimates
30 of the Office of Fiscal and Program Review.

32 3. Commissioner. "Commissioner" means the Commissioner of
34 Administrative and Financial Services.

36 4. General Fund revenue shortfall. "General Fund revenue
38 shortfall" means the amount by which the General Fund
40 appropriation limitation established by section 1534 exceeds
42 baseline General Fund revenues and other available resources in
44 each state fiscal year of the current fiscal biennium and the
46 next fiscal biennium, as recommended and authorized by the
48 Revenue Forecasting Committee in its December 1st report.

5. Stabilization fund. "Stabilization fund" means the
Maine Budget Stabilization Fund established in this chapter.

§1532. Maine Budget Stabilization Fund

1. Generally; Stabilization Fund established. The Maine
Budget Stabilization Fund is hereby established. Amounts in the
stabilization fund may not exceed 12% of total General Fund
revenues in the immediately preceding state fiscal year and,
except as provided by section 1533, may not be reduced below 1%
of the total General Fund revenues in the immediately preceding
state fiscal year.

2. Expenditures from fund. Amounts in the stabilization
fund may be expended only to offset a General Fund revenue
shortfall.

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

8 4. Investment of funds. The money in the stabilization fund
10 may be invested as provided by law with the earnings credited to
12 the stabilization fund.

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

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

24 §1533. Declaration of budget emergency

26 If the Legislature has adjourned sine die prior to the close
28 of a fiscal year and the commissioner determines that available
30 General Fund resources will not be sufficient to meet General
32 Fund appropriations, the commissioner may declare a budget
34 emergency, and the Governor may reduce the stabilization fund
36 below the 1% minimum threshold established by section 1532, but
38 only to a level sufficient to bring the budget back into
40 balance. The Governor shall inform the Legislative Council
42 immediately upon such transfers from the stabilization fund.

36 §1534. General Fund appropriation limitation

38 The General Fund appropriation for each fiscal year of the
40 current fiscal biennium and the next fiscal biennium may not
42 exceed the adjusted General Fund appropriation of the previous
44 fiscal year, multiplied by one plus the long-term growth rate
46 limitation as defined in section 1710-F, subsection 4. The
48 limitation may be exceeded only by the amount of the additional
50 costs or the lost federal revenue from the following exceptional
circumstances: unfunded or under-funded new federal mandates,
losses in federal revenues or other revenue sources, citizen's
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

2 result of legislative changes that increased eligibility or
3 increased benefits. The Legislature may designate exceptional
4 circumstances that are not explicitly defined in this section but
5 meet the intent of this section. For purposes of this section,
6 "exceptional circumstances" means an unforeseen condition or
7 conditions over which the Governor and the Legislature have
8 little or no control. Exceptional circumstances do not apply to
9 new programs or program expansions that go beyond existing
10 program criteria and operation.

11 **§1535. General Fund transfers to stabilization fund**

12 Baseline General Fund revenues and other available
13 resources, as recommended by the Revenue Forecasting Committee
14 and authorized in accordance with chapter 151-B, that exceed the
15 General Fund appropriation limitation established by section 1534
16 must be transferred to the stabilization fund. The State
17 Controller, at the close of each fiscal year, shall transfer the
18 available balance remaining in the General Fund to the
19 stabilization fund after all required deductions of
20 appropriations, budgeted financial commitments and other
21 adjustments considered necessary by the State Controller.

22 **§1536. Excess General Fund revenues**

23 1. First priority reserve. The State Controller shall, as
24 the first priority at the close of each fiscal year, reserve from
25 the unappropriated surplus of the General Fund an amount equal to
26 the excess of total baseline General Fund revenues received over
27 accepted estimates in that fiscal year and transfer that amount
28 at the beginning of the next fiscal year as follows:

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

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

32 C. Sixteen percent to the Reserve for General Fund
33 Operating Capital.

34 2. Transfer. At the close of each fiscal year, the State
35 Controller shall transfer from the unappropriated surplus of the
36 General Fund to the stabilization fund:

37 A. An amount equal to the balance remaining of the excess
38 of total General Fund revenues received over accepted
39 estimates in that fiscal year that would have been
40 transferred to the Reserve for General Fund Operating
41 Capital had the Reserve for General Fund Operating Capital
42 not been at its statutory limit of \$50,000,000.

2 **Sec. A-5. 5 MRSA §1664, last ¶**, as enacted by PL 2003, c. 451,
Pt. X, §8, is repealed.

4 **Sec. A-6. 5 MRSA §1665, sub-§1**, as amended by PL 2003, c. 451,
6 Pt. X, §9, is further amended to read:

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

36
All departments and other agencies receiving or desiring to
38 receive state funds from the Highway Fund shall submit to the
officer estimates of their expenditure and appropriation
40 requirements for each fiscal year of the ensuing biennium that do
not exceed the Highway Fund appropriation of the previous fiscal
42 year multiplied by one plus the average real personal income
growth rate. The Highway Fund highway and bridge improvement
44 accounts are exempt from this spending limitation.

46 **Sec. A-7. 5 MRSA §1710-F, sub-§4** is enacted to read:

48 **4. Committee to calculate long-term growth rate limitation.**
The committee shall calculate a percentage rate to be known as
50 the "long-term growth rate limitation" and shall include it in

2 the report required by subsection 2. The long-term growth rate
3 limitation is a percentage rate equal to the measure of real
4 economic growth plus the average forecasted inflation rate. For
5 purposes of this subsection, "measure of real economic growth"
6 means the average real personal income growth rate as defined in
7 section 1665. For purposes of this subsection, "average
8 forecasted inflation rate" means the average forecasted change in
9 the Consumer Price Index underlying the revenue projections
10 developed by the committee pursuant to subsection 1 for the 5
11 future calendar years in the economic forecast. "Consumer Price
12 Index" has the same meaning as in Title 36, section 5402,
13 subsection 1.

14 **Sec. A-8. 5 MRSA §13063-C, sub-§4, ¶B,** as amended by PL 2003,
15 c. 451, Pt. X, §10, is further amended to read:

16 B. Notwithstanding section 1585, any balance remaining in
17 the program after July 31, 2007 must be transferred to the
18 Maine Budget Stabilization Fund as established in section
19 ~~1513~~ 1532.

22 **Sec. A-9. 5 MRSA §17253, sub-§3,** as enacted by PL 1995, c.
23 464, §15, is amended to read:

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

32 **Sec. A-10. 5 MRSA §22001, sub-§13,** as enacted by PL 2001, c.
33 439, Pt. T, §5, is amended to read:

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

38 **Sec. A-11. 25 MRSA §1612, sub-§7,** as amended by PL 2003, c.
39 451, Pt. X, §13, is further amended to read:

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

46 **Sec. A-12. Transition; stabilization fund.** Any money in the Maine
47 Budget Stabilization Fund on the effective date of this Act is
48 deemed to be in the Maine Budget Stabilization Fund as
49 reconstituted by this Act.

50

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
46
48

PART B

Sec. B-1. 30-A MRSA §2181, sub-§4, ¶E, as enacted by PL 2003, c. 696, §12, is amended to read:

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

PART C

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

§5721-A. Limitation on municipal appropriations

1. Appropriation limit established. Notwithstanding any other provision of law, a municipality may not in any fiscal year make an appropriation, including amounts appropriated or allocated to reserves, except as otherwise provided in this section, where such appropriation utilizes revenues collected through property taxes levied by such municipality, and where such appropriation would cause the municipality to exceed its property tax levy limit for the fiscal year. A municipality's property tax levy limit for any fiscal year must be set at its property tax levy limit for the prior fiscal year, multiplied by the sum of the following: one; plus the income growth factor set forth in subsection 4; plus the municipality's annual property growth factor. The annual property growth factor for a municipality is a fraction established by the municipality whose denominator is the total valuation of the municipality, and whose numerator is the amount of increase in the assessed valuation of any real or personal property in the municipality during the prior fiscal year that may become subject to taxation for the first time, or taxed as a separate parcel for the first time during such fiscal year, 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.

2. Scope. Appropriation and property tax levy limits established in subsection 1 apply to any general fund appropriation of a municipality, other than appropriations and revenues related to tax increment financing districts or other similar special tax districts pursuant to state law, but do not apply to expenditures related to assessments or tuition

2 expenditures properly issued by a school administrative unit or
3 county of which the municipality is a member.

4 3. Transition. The appropriation limit established in
5 subsection 1 becomes effective for a municipality for its first
6 full fiscal year following the effective date of this section.

8 A. For purposes of determining the property tax levy limit
9 for the first fiscal year for which this section is
10 effective, the limit must be set at the property tax
11 commitment of the municipality for the fiscal year during
12 which this section becomes effective, multiplied by the sum
13 of the following: one; plus the income growth factor set
14 forth in subsection 4; plus the municipality's annual
15 property growth factor set forth in subsection 1.

16 B. In the event the prior year's tax commitment reflects
17 the effect of extraordinary, nonrecurring events, the
18 municipality may submit a written notice to the State Tax
19 Assessor requesting an adjustment in the levy calculation.
20 The adjustment must be determined in a reasonable amount of
21 time.

22 4. Income growth factor. The income growth factor
23 applicable to fiscal years following the effective date of this
24 section is the base growth factor, defined as the average real
25 personal income growth rate, defined in Title 5, section 1665,
26 subsection 1, which rate may not exceed 2.75%. For fiscal years
27 commencing after such time as the state tax burden ranks in the
28 middle 1/3 of all states, as determined by the State Tax
29 Assessor, the growth factor must become the personal income
30 growth factor. The personal income growth factor is one plus the
31 average percent change in personal income in this State for the
32 prior 10 calendar years, ending with the most recent calendar
33 year for which data are available, as estimated by the United
34 States Department of Commerce, Bureau of Economic Analysis. For
35 purposes of this section, "state tax burden" means the total
36 amount of state and local taxes paid by Maine residents, per
37 \$1,000 of income, as determined by the State Tax Assessor based
38 on data from the United States Department of Commerce, Bureau of
39 Census and Bureau of Economic Analysis. The State Tax Assessor
40 shall undertake this calculation no less than once per year. For
41 any fiscal year thereafter, if the State Tax Assessor has
42 determined that the state tax burden has increased to the highest
43 1/3 of states, the growth factor for the following fiscal year
44 must be the base growth factor. In all other fiscal years when
45 the state tax burden ranks in the middle 1/3 of states, as
46 determined by the State Tax Assessor, the growth factor must be
47 the personal income growth factor.

2 5. Adjustment for new state funding. In the event the
3 State provides net new funding to a municipality for existing
4 services funded in whole or in part by property taxes, other than
5 required state mandate funds pursuant to section 5685 that do not
6 displace current property tax expenditures, the municipality
7 shall lower its property tax levy limit in that year in an amount
8 equal to the net new funds. For purposes of this subsection,
9 "net new funds" means the amount of funds received by the
10 municipality from the State in that fiscal year, with respect to
11 services funded in whole or in part by property taxes, less the
12 following product: the amount of such funds received in the
13 prior fiscal year multiplied by an adjustment factor. The
14 adjustment factor equals: one; plus the income growth factor set
15 forth in subsection 4; plus the municipality's annual property
16 growth factor as defined in subsection 1. In the event a
17 municipality receives net new funds in any fiscal year for which
18 its levy limit has not been adjusted as provided in this
19 subsection, the municipality shall adjust its levy limit in the
20 following year in an amount equal to the net new funds.

21 6. Mill rate. Notwithstanding Title 36, chapter 103, a
22 municipality may, without the need for voter approval, establish
23 a property tax mill rate at any level it considers appropriate
24 and may establish any method of computing property taxes,
25 provided that, in establishing such mill rate or method of
26 computation, the tax rate and computation method do not cause the
27 total property tax levy of the municipality to exceed its
28 property tax levy limit.

29 7. Certain taxes. Nothing in Title 36, chapter 103 may be
30 interpreted to prohibit the imposition of special district taxes,
31 user fees or county taxes on any real or personal property,
32 provided such taxes or fees are otherwise permitted by law.
33

34 8. Extraordinary events. Upon the affirmative vote of a
35 majority of its legislative body, a municipality may exceed its
36 property tax levy limit in such an amount as necessary to comply
37 with a court order or decree or to respond to an extraordinary
38 event. An "extraordinary event" includes any catastrophic event
39 outside the control of the legislative body such as a natural
40 disaster, severe weather event, act of God, act of terrorism,
41 fire, war and riot, but in no event may "extraordinary event"
42 include a change in economic conditions, revenue shortfall or
43 increase in salaries or benefits. An appropriation made under
44 this subsection may not cause the municipality's property tax
45 levy limit to be adjusted for any future fiscal years nor may
46 such an appropriation continue for longer than required to comply
47 with the court order or decree or to address the extraordinary
48 event.
49

50

2 9. Election. A municipality may elect to raise its
3 property tax levy limit upon the affirmative vote of the voters
4 by municipal election held at any regular or special election.
5 Notwithstanding any law to the contrary, such election may be
6 called only upon the affirmative vote of a majority of the
7 municipality's legislative body and must be governed according to
8 state law and any applicable municipal charter. The warrant for
9 the election must set forth the question to be determined, which
10 must be in the following form: "Do you favor raising the levy
11 limit of the [name of municipality] for the purpose of [insert
12 purpose]?"

13
14 10. Treatment of surplus; reserves. Any property tax
15 revenues collected by a municipality in any fiscal year in excess
16 of its property tax levy limit, as determined by a final audited
17 accounting, must be transferred to a property tax relief fund,
18 which each municipality must establish, and used to reduce
19 property tax levies in subsequent fiscal years. Nothing in this
20 subsection is intended to limit the ability of a municipality to
21 maintain adequate reserves pursuant to section 5801, provided
22 that annual allocations or appropriations of funds to reserves
23 are treated as appropriations subject to the appropriation limits
24 set forth in subsection 1.

25
26 11. Fractional divisions. A municipality may, consistent
27 with Title 36, section 710, exceed its property tax levy limit in
28 such reasonable amount as necessary to avoid fractional divisions.

29
30 12. Enforcement. In the event a municipality makes
31 appropriations in violation of this section, the State Tax
32 Assessor may require the municipality to adjust its appropriation
33 limit downward in an amount equal to the illegal appropriation
34 and impose such other penalties as the Legislature may provide.

36 PART D

37
38 **Sec. D-1. 5 MRSA §17154, sub-§6, ¶E, as amended by PL 2003, c.**
39 **504, Pt. B, §1, is further amended to read:**

40
41 E. Notwithstanding this section, the employer retirement
42 costs related to the retirement system applicable to those
43 teachers whose funding is provided directly or through
44 reimbursement from private or public grants must be paid by
45 local school systems from those funds. "Public grants" does
46 not include state or local funds provided to school
47 administrative units under Title 20-A, chapters 315,--606 and
48 606-B.

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

4 **17. Major capital costs.** "Major capital costs" is defined
in section ~~15603, subsection-17~~ 15672, subsection 18-A.

6 **18. Minor capital costs.** "Minor capital costs" is defined
8 in section ~~15603, subsection-18~~ 15672, subsection 20-A.

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

12 A. Under a property valuation method, municipalities in a
14 district shall share costs in the same proportion as each
municipality's fiscal capacity as defined in section ~~15603,~~
16 ~~subsection-11-A~~ 15672, subsection 23 is to the district's
fiscal capacity.

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

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

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

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

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

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

36 **Sec. D-5. 20-A MRSA §1307, sub-§3**, as amended by PL 1997, c.
38 68, §1, is further amended to read:

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

44 **Sec. D-6. 20-A MRSA §1307, sub-§4**, as enacted by PL 1997, c.
46 68, §2, is amended to read:

48 **4. Budget explanation.** The warrant may include an
explanation of the relationship between warrant articles
50 authorizing specific line item expenditures as provided in

2 subsection 1 and the articles prescribed in chapter 606 ~~606-B~~
summarizing the budget proposal.

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

8 **§1308. Failure to pass budget**

10 If a budget for the operating of the district is not
12 approved prior to July 1st, the latest budget as submitted by the
14 board of directors is automatically considered the budget for
operational expenses for the ensuing year until a final budget is
16 approved, except that, when the school board delays the school
18 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 board of
the amount allocated to the school unit under section ~~15613~~
15689-B or the latest budget submitted by the directors becomes
the operating budget for the next school year.

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

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

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

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

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

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

48 **Sec. D-11. 20-A MRSA §1701, sub-§3**, as amended by PL 1991, c.
50 429, §4, is further amended to read:

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

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

10 A. The budget format may be determined by the voters of a
11 community school district by adoption of an appropriate
12 warrant article at a properly called election held in
13 accordance with the procedure set forth in section ~~15617~~
14 15693, subsection 6.

15 **Sec. D-13. 20-A MRSA §1701, sub-§12,** as amended by PL 1999, c.
16 710, §10, is further amended to read:

17 **12. State-local allocations.** To summarize the action taken
18 on the budget for the purposes of determining the community
19 school district's state-local allocations, the articles
20 prescribed in chapter ~~696~~ 606-B must also be voted on.

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

23 **5. Failure to approve budget.** If the voters do not
24 validate the budget approved in the district budget meeting at
25 the budget validation referendum vote, the district school
26 committee shall hold another district budget meeting in
27 accordance with section 1701, subsection 8 at least 10 days after
28 the referendum to vote on a budget approved by the committee.
29 The budget approved at the district budget meeting must be
30 submitted to the voters for validation at referendum in
31 accordance with this section. The process must be repeated until
32 a budget is approved at a district budget meeting and validated
33 at referendum. If a budget is not approved and validated before
34 July 1st of each year, the latest budget submitted by the
35 committee is automatically considered the budget for operational
36 expenses for the ensuing year until a final budget is approved,
37 except that when the school committee delays the district budget
38 meeting in accordance with section ~~15617~~ 15693, subsection 2,
39 paragraph C the operating budget must be approved within 30 days
40 of the date the commissioner notifies the school committee of the
41 amount allocated to the school unit under section ~~15613~~ 15689-B
42 or the latest budget submitted by the committee becomes the
43 operating budget for the next school year.

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

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

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

10 **§4003-A. Hazardous chemicals**

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

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

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

22 **Sec. D-18. 20-A MRSA §5401, sub-§15, ¶C**, as amended by PL
24 2001, c. 667, Pt. C, §11, is further amended to read:

26 C. A school board may obtain a short-term loan or enter
28 into a lease-purchase agreement to acquire school buses if
the loan is approved by the unit's legislative body or if
30 funds that can be used for the initial lease-purchase
payment have been appropriated by the unit's legislative
32 body. The term of a loan or a lease-purchase agreement may
not exceed 5 years. The commissioner shall establish a
34 maximum amount for annual-term purchases in excess of the
amount established in paragraph A. Beginning in fiscal year
~~2003-04~~ 2005-06, these expenditures must be subsidized in
36 accordance with ~~section 15603, subsection 26-A~~ chapter 606-B.

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

40 **§6303. Medicaid for health and human services**

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

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

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

6 **§6654. School-based child care grants**

8 The department and the Department of Health and Human
10 Services are authorized to provide assistance to school
12 administrative units to assist the units in establishing
14 school-based child care services. ~~Any assistance provided must
16 provide funds for 2 years and expenditure of those funds is
18 considered expenditure of local funds in computing the unit's
20 educational program costs in chapter 606. The department has
22 full authority to administer any grant program that it operates
24 under this section.~~

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

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

40 **Sec. D-23. 20-A MRSA §8301-A, sub-§§4 and 9**, as enacted by PL
42 1991, c. 518, §2, are amended to read:

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

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

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
read:

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

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

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

§8402. Programs

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

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

20 C. Shall, in the event that the school boards of School
22 Administrative District No. 27, School Administrative
District No. 33 and Madawaska School Department enter into a
24 cooperative agreement pursuant to section 8401 and a new
career and technical education center in Maine School
26 Administrative District No. 33 becomes operational, devise a
cost sharing formula for the center established thereby
28 pertaining to the cost of career and technical education
programs that exceed expenditures made for those programs in
30 the base year as adjusted pursuant to section ~~15603~~ 15681-A,
subsection 5 and to the local share of debt service costs
32 attributable to construction of the center in School
Administrative District No. 33;

34 **Sec. D-27. 20-A MRSA §8451-A,** as corrected by RR 2003, c. 2,
36 §61, is amended to read:

38 **§8451-A. Programs**

40 A region shall provide programs of career and technical
education. Programs of career and technical education are
42 eligible to receive state subsidy pursuant to chapters ~~606~~ 606-B
and 609. All programs of career and technical education offered
44 by a region must be approved by the commissioner pursuant to
section 8306-A. The programs must offer a sequence of courses
46 that are directly related to the preparation of individuals for
employment in current or emerging occupations and may include
48 training and education in academic and business skills preparing
students to further their education at the community college or
50 college level or allowing students to use trade and occupational

2 skills on other than an employee basis. Programs of career and
3 technical education may also include alternative educational
4 programs and training and education in music, athletics, art and
5 other activities approved by the commissioner pursuant to section
6 8306-A.

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

9 **6. Municipality.** "Municipality" has the same meaning as in
10 section ~~15603,--subsection-19~~ 15672, subsection 21.

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

13 **B.** The unit in which such a person resides must be
14 reimbursed in accordance with ~~chapters-606-and-606-A~~ chapter
15 606-B.

16 **Sec. D-30. 20-A MRSA §8606-A, sub-§2, ¶C,** as amended by PL
17 1991, c. 518, §38, is further amended to read:

18 **C.** The recommendation in the commissioner's funding level
19 certification must include local program cost adjustment to
20 the equivalent of the year prior to the year of allocation.
21 This adjustment is calculated according to the same
22 guidelines established, for purposes of chapter 606 606-B,
23 by section ~~15605~~ 15689-C, subsection 3.

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

25 **§15622. Repeal**

26 This chapter is repealed July 1, 2005.

27 **Sec. D-32. 20-A MRSA §15658,** as enacted by PL 1995, c. 368,
28 Pt. Z, §1 and affected by §2, is amended to read:

29 **§15658. Relationship to the School Finance Act of 1985**

30 The provisions of chapter 606 606-B apply except as
31 described in this section.

32 **1. Operating costs mill rate.** The operating costs mill
33 rate, as described in chapter 606 606-B, is in effect for the
34 limited purposes of determining the state and local shares of
35 each school administrative unit's program costs allocation and
36 its debt service allocation, and for determining the amount
37 required to provide the statewide state share of the allocation
38 for the per pupil guarantee. For each individual school
39

2 administrative unit, the amounts described in section 15655,
3 subsection 1 are used rather than the amounts in section 15608,
4 subsection 1; section 15609, subsection 1, paragraph A; and
5 section 15610, subsection 1, paragraph A.

6 **Sec. D-33. 20-A MRSA §15659, sub-§1, ¶A,** as enacted by PL
7 1995, c. 368, Pt. Z, §1 and affected by §2, is amended to read:

8
9
10 A. The State's share for fiscal year 1996-97 for the
11 allocation of the per pupil guarantee as determined in this
12 chapter, plus the State's share for program costs and the
13 minimum subsidy allocation as determined in chapter 606
14 606-B, less subsidies provided for bus purchases, divided by
15 the subsidizable pupils, as defined in this chapter; and

16 **Sec. D-34. 20-A MRSA §15671, sub-§1,** as amended by PL 2003, c.
17 712, §9, is amended to read:

18
19 **1. State and local partnership.** The State and each local
20 school administrative unit are jointly responsible for
21 contributing to the cost of the components of essential programs
22 and services described in this chapter. Except as otherwise
23 provided in this subsection, for each fiscal year, the total cost
24 of the components of essential programs and services may not
25 exceed the prior fiscal year's costs multiplied by one plus the
26 average real personal income growth rate as defined in Title 5,
27 section 1665, subsection 1, except that in no case may that rate
28 exceed 2.75%. For fiscal years commencing after the state tax
29 burden ranks in the middle 1/3 of all states, as calculated and
30 certified by the State Tax Assessor, the total cost of the
31 components of essential programs and services may not exceed the
32 prior fiscal year's costs multiplied by one plus the average real
33 personal income growth rate as defined in Title 5, section 1665,
34 subsection 1. The Legislature, by an affirmative vote of each
35 House, may exceed the limitations on increases in the total cost
36 of the components of essential programs and services provided in
37 this subsection, as long as that vote is taken upon legislation
38 stating that it is the Legislature's intent to override the
39 limitation for that fiscal year. The state contribution to the
40 cost of the components of essential programs and services,
41 exclusive of federal funds that are provided and accounted for in
42 the cost of the components of essential programs and services,
43 must be made in accordance with this subsection:

44
45
46 A. The level of the state share of funding attributable to
47 the cost of the components of essential programs and
48 services must be at least 50% of eligible state and local
49 General Fund education costs statewide, no later than fiscal
50 year 2007-08 2006-07; and

2 B. By fiscal year ~~2009-10~~ 2008-09 the state share of the
4 total cost of funding public education from kindergarten to
6 grade 12, as described by essential programs and services,
8 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.

10 Beginning in fiscal year 2005-06 and in each fiscal year
12 thereafter, the commissioner shall use the funding level
14 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.

16 **Sec. D-35. 20-A MRS §15671, sub-§7**, as amended by PL 2003, c.
18 712, §10, is further amended to read:

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

24 A. The annual targets for the essential programs and
26 services transition percentage, excluding program cost
allocation, debt service allocation and adjustments, are as
follows.

- 28 (1) For fiscal year 2005-06, the target is 84%.
- 30 (2) For fiscal year 2006-07, the target is 88% 90%.
- 32 (3) For fiscal year 2007-08, the target is 92% 95%.
- 34 (4) For fiscal year 2008-09 and succeeding years, the
target is 96% 100%.
- 36 ~~(5) -- For fiscal year 2009-10 and succeeding years, the~~
38 ~~target is 100%.~~

40 B. The annual targets for the state share percentage are as
42 follows.

- 44 (1) For fiscal year 2005-06, the target is 52.6%.
- 46 (2) For fiscal year 2006-07, the target is 52.6%
53.86%.
- 48 (3) For fiscal year 2007-08, the target is 53% 54.44%.

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

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

6
8 **Sec. D-36. 20-A MRSA §15671-A**, as enacted by PL 2003, c.
712, §11, is amended to read:

10 **§15671-A. Property tax contribution to public education**

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

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

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

28 **2. Local cost share expectation.** The local cost share
expectation is established as follows.

30
32 A. Notwithstanding any other provision of law, with respect
to the assessment of any property taxes for property tax
years beginning on or after April 1, 2005, this subsection
34 establishes the local cost share expectation that may be
assessed on the value of property for the purpose of funding
36 public education from kindergarten to grade 12. The
commissioner shall annually by February 1st notify each
38 school administrative unit of its local cost share
expectation. Each superintendent shall report to the
40 municipal officers whenever a school administrative unit is
notified of the local cost share expectation or a change
42 made in the local cost share expectation resulting from an
adjustment.

44
46 B. For property tax years beginning on or after April 1,
2005, the commissioner shall calculate the full-value
education mill rate that is required to raise the total of
48 the local cost share expectation. The full-value education
mill rate is calculated by dividing the applicable tax year
50 percentage of the projected cost of funding public education

2 from kindergarten to grade 12 by the certified total state
3 valuation for the year prior to the most recently certified
4 total state valuation for all municipalities. The
5 full-value education mill rate must decline over the period
6 from fiscal year 2005-06 to fiscal year ~~2009-10~~ 2008-09 and
7 may not exceed 9.0 mills in fiscal year 2005-06 and may not
8 exceed 8.0 mills in fiscal year ~~2009-10~~ 2008-09. The
9 full-value education mill rate must be applied according to
10 section 15688, subsection 3, paragraph A to determine a
11 municipality's local cost share expectation. Full-value
12 education mill rates must be derived according to the
13 following schedule.

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

18 (2) For the 2006 property tax year, the full-value
19 education mill rate is the amount necessary to result
20 in a ~~47.4%~~ 46.14% local share in fiscal year 2006-07.

22 (3) For the 2007 property tax year, the full-value
23 education mill rate is the amount necessary to result
24 in a ~~47.0%~~ 45.56% local share in fiscal year 2007-08.

26 (4) For the 2008 property tax year, the full-value
27 education mill rate is the amount necessary to result
28 in a ~~46.0%~~ 45.0% local share in fiscal year 2008-09.

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

34 **3. Exceeding maximum local cost share expectations;**
35 **separate article.** Beginning with the 2005-2006 school budget,
36 the legislative body of a school administrative unit may adopt
37 ~~property-tax-rates~~ an additional local appropriation that ~~exceed~~
38 exceeds the local cost share expectation established by section
39 15688, subsection 3, paragraph A if that action is approved in a
40 separate article by a vote of the school administrative unit's
41 legislative body through the same process that the school budget
42 is approved in that school administrative unit. If that
43 additional appropriation causes the school administrative unit to
44 exceed the maximum state and local spending target described in
45 subsection 4, the voting requirements of subsection 4 apply.

46 **4. Exceeding the maximum state and local spending target.**
47 The sum of a school administrative unit's local contribution to
48 the total cost of funding public education determined pursuant to
49 section 15688, subsection 3, paragraph A plus the state
50 contribution to the total cost of funding public education

2 contribution as calculated in section 15688, subsection 3,
3 paragraph B plus the additional local contribution raised
4 pursuant to section 15690, subsection 3 may not exceed the
5 targeted state and local spending for fiscal year 2005-06 and
6 succeeding fiscal years. The targeted state and local spending
7 for fiscal years 2005-06, 2006-07, 2007-08 and 2008-09 is as
8 follows:

9
10 A. The targeted state and local spending for fiscal year
11 2005-06 is equal to the state and local spending, excluding
12 local only debt, from fiscal year 2004-05 increased by the
13 3-year average percent of increase in the Consumer Price
14 Index plus 25% of the difference between that result and
15 100% of the essential programs and services costs for fiscal
16 year 2005-06 or 100% of the essential programs and services
17 costs, whichever is less;

18 B. The targeted state and local spending for fiscal year
19 2006-07 is equal to the state and local spending, excluding
20 local only debt, from fiscal year 2005-06 increased by the
21 3-year average percent of increase in the Consumer Price
22 Index plus 25% of the difference between that result and
23 100% of the essential programs and services costs for fiscal
24 year 2006-07 or 100% of the essential programs and services
25 costs, whichever is less;

26
27 C. The targeted state and local spending for fiscal year
28 2007-08 is equal to the state and local spending, excluding
29 local only debt, from fiscal year 2006-07 increased by the
30 3-year average percent of increase in the Consumer Price
31 Index plus 25% of the difference between that result and
32 100% of the essential programs and services costs for fiscal
33 year 2007-08 or 100% of the essential programs and services
34 costs, whichever is less; and

35 D. The targeted state and local spending for fiscal year
36 2008-09 and succeeding years is equal to 100% of the
37 essential programs and services costs.

38
39
40 If a school administrative unit elects to exceed the limit
41 established in paragraph A, B, C or D, the legislative body of
42 that school administrative unit must approve or otherwise ratify
43 that action, which may be done only by referendum in a separate
44 article. The referendum procedures governing the school budget
45 adoption or ratification voting must be accomplished in
46 accordance with sections 1305, subsection 1, 1305-B and 1701-B
47 or, for municipal school systems opting to use a secret ballot,
48 Title 30-A, section 2528, and the article must conform to section
49 15690, subsection 3, paragraph B.

2 **Sec. D-37. 20-A MRSA §15672**, as amended by PL 2003, c. 712,
§12, is further amended to read:

4 **§15672. Definitions**

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

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

12 1-A. Base year. "Base year" means the 2nd year prior to
the allocation year.

14 1-B. Bus purchase costs. "Bus purchase costs" includes
16 expenditures for bus purchases approved by the commissioner and
made during the year prior to the allocation year.

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

22 2-A. Debt service costs. "Debt service costs," for subsidy
24 purposes, includes:

26 A. Principal and interest costs for approved major capital
28 projects in the allocation year, including the initial local
share of school construction projects that received voter
30 approval for all or part of their funding in referendum in
fiscal year 1984-85;

32 B. Lease costs for school buildings when the leases,
34 including leases under which the school administrative unit
may apply the lease payments to the purchase of portable,
36 temporary classroom space beginning January 1, 1988, have
been approved by the commissioner for the year prior to the
38 allocation year. Beginning July 1, 1998 lease costs include
costs for leasing:

40 (1) Administrative space. A school administrative
42 unit may lease administrative space with state support
until July 1, 2003. A school administrative unit
44 engaged in a lease-purchase agreement for
administrative space is eligible for state support
46 until July 1, 2008;

48 (2) Temporary interim nonadministrative space.

50 (a) A school administrative unit with
state-approved need for nonadministrative space

2 may lease temporary interim space, with state
4 support, for a maximum of 5 years. A school
6 administrative unit may appeal to the state board
8 if this limitation presents an undue burden. When
making a determination on a school administrative
unit's request for relief based on undue burden,
the state board may consider, but are not limited
to considering, the following:

10 (i) Fiscal capacity:

12 (ii) Enrollment demographics; and

14 (iii) Unforeseen circumstances not within
16 the control of the appealing school
administrative unit.

18 The state board's decision is final.

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

26 (3) Permanent small nonadministrative space that
28 replaces or is converted from existing approved leased
portable space. The existing approved leased portable
30 space will be eligible for state support until July 1,
32 2003. Once an existing leased portable space has been
converted into a permanent nonadministrative space
through an approved lease-purchase agreement, that
space is eligible for state support for a maximum of 10
years.

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

40 C. The portion of the tuition costs applicable to the
42 insured value factor for the base year computed under
section 5806;

44 D. The cost of construction or purchase of portable,
46 temporary classroom space as approved by the commissioner
beginning January 1, 1988. For the purposes of this
48 section, "portable, temporary classroom space" means a
project consisting of one or more mobile or modular
50 buildings that are at least partially constructed off site
and are designed to be moved to other sites with a minimum

2 of disassembly and reassembly. "Portable, temporary
3 classroom space" includes, but is not limited to, space for
4 regular classrooms, small group instruction, libraries,
5 clinics and guidance and administrative office space,
6 including principal and superintendent offices. The
7 department shall adopt rules for approving the purchase,
8 construction or lease-purchase of portable, temporary
9 classroom space and for determining the amount includable
10 for subsidy purposes. Lease-purchase agreements may not
11 exceed a term of 10 years. Approved costs are those for
12 the year prior to the allocation year. The department shall
13 adopt rules necessary to implement this paragraph. Rules
14 adopted by the department to implement this paragraph are
15 major substantive rules pursuant to Title 5, chapter 375,
16 subchapter 2-A; and

17 E. Beginning in school year 2002-2003, 1/5 of the aggregate
18 amount of the approved leases defined in paragraph B and an
19 additional 1/5 for each year thereafter may not be used to
20 determine the debt service millage limit calculated under
21 section 15611, subsection 1, paragraph A. The local share
22 for the 1/5 of the aggregate amount of the approved leases
23 defined in paragraph B and an additional 1/5 for each year
24 thereafter must be calculated as the same percentage
25 determined under section 15609, subsection 1, paragraph A.
26 The department shall adopt rules necessary to implement this
27 paragraph. Rules adopted by the department to implement
28 this paragraph are major substantive rules pursuant to Title
29 5, chapter 375, subchapter 2-A.

30 **3. Economically disadvantaged students.** "Economically
31 **disadvantaged students**" means students who are included in the
32 department's count of students who are eligible for free or
33 reduced-price meals or free milk or both.
34

35 **4. Education technician.** "Education technician" means a
36 full-time equivalent public teacher aide or education technician
37 I, associate teacher or education technician II or assistant
38 teacher or education technician III but not a special education
39 technician I, II or III, as documented in the department's
40 database.
41

42 **5. Elementary free or reduced-price meals percentage.**
43 "Elementary free or reduced-price meals percentage" means the
44 percentage, as determined by the commissioner, that reflects
45 either:
46

47 **A.** The actual percentage of elementary students in a school
48 administrative unit who are eligible to receive free or
49 reduced-price meals or free milk or both; or
50

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

6 **6. Elementary grades.** "Elementary grades" means
7 kindergarten to grade 8 and includes children enrolled in early
8 kindergarten programs and 4-year-old children enrolled in a
9 2-year childhood education program prior to grade one.

10
11 **7. Elementary school level.** "Elementary school level"
12 means the grades from kindergarten to grade 5 and includes early
13 kindergarten programs and 2-year childhood education programs
14 enrolling 4-year-old children prior to grade one.

15
16 7-A. EPS per-pupil rate. "EPS per-pupil rate" means the
17 total amount of funds that is made available for each
18 subsidizable pupil representing the following cost components:

19 A. Salary and benefit costs for school level teaching staff;
20
21 B. Salary and benefit costs for other identified school
22 level staff;
23
24 C. Designated costs for substitute teachers; and
25
26 D. Identified nonstaffing costs.
27

28
29 **8. Essential programs and services.** "Essential programs
30 and services" means those educational resources that are
31 identified in this chapter that enable all students to meet the
32 standards in the 8 content standard subject areas of the system
33 of learning results established in chapter 222.

34
35 **9. Essential programs and services transition percentage.**
36 "Essential programs and services transition percentage" means the
37 full estimated cost for all essential programs and services for
38 that fiscal year that will be funded by a state contribution or
39 by a required local contribution.

40
41 9-A. Gifted and talented costs. "Gifted and talented
42 costs" means the cost of programs for gifted and talented
43 students that have been approved by the commissioner.

44
45 **10. Grade 9 to 12 portion.** "Grade 9 to 12 portion" means
46 those pupils in the secondary grades or high school level.

47
48 **11. Guidance staff.** "Guidance staff" means full-time
49 equivalent public guidance counselors, directors of guidance or
50 school social workers, as documented in the department's database.

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

6 **13. High school level.** "High school level" means grade 9 to
7 grade 12.

8 **13-A. Institutional resident.** "Institutional resident"
9 means a person between 5 years of age and 20 years of age who is
10 attending a public school of the school administrative unit and
11 who is committed or otherwise legally admitted to and residing at
12 a state-operated institution. "Institutional resident" does not
13 include students attending private facilities, regardless of the
14 means of placement.

16 ~~**14. Income weight.** "Income weight" means a value between~~
17 ~~zero and one that is used to adjust a municipality's ratio of~~
18 ~~local median household income to the statewide median household~~
19 ~~income. The income weight plus the property weight, as defined~~
20 ~~in subsection 24, must total one.~~

22 **15. Kindergarten to grade 8 portion.** "Kindergarten to grade
23 8 portion" means those pupils in the elementary grades or a
24 combination of the elementary school level and middle school
25 level.

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

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

36 **18. Limited English proficiency student.** "Limited English
37 proficiency student" means a student who was not born in the
38 United States or whose native language is a language other than
39 English and who satisfies the definition of a limited English
40 proficient student under the federal No Child Left Behind Act of
41 2001, 20 United States Code, Chapter 70.

44 **18-A. Major capital costs.** "Major capital costs" means
45 costs relating to school construction projects, as defined in
46 section 15901.

48 **19. Media assistant.** "Media assistant" means a full-time
49 equivalent public librarian aide or library technician I,
50 librarian assistant or library technician II or librarian

2 associate or library technician III, as documented in the
department's database.

4 20. Middle school level. "Middle school level" means grade
6 to grade 8.

6 20-A. Minor capital costs. "Minor capital costs" means
8 costs relating to plant maintenance, minor remodeling, site
10 development or the purchase of land not in conjunction with a
construction project.

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

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

20 C. Purchase of land made in accordance with this subsection
22 must be approved:

24 (1) By the legislative body of the school
administrative unit; and

26 (2) By the commissioner, under rules adopted for this
28 purpose.

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

32 21-A. Portable, temporary classroom space. "Portable,
34 temporary classroom space" means one or more mobile or modular
buildings that are at least partially constructed off site and
36 that are designed to be moved to other sites with a minimum of
disassembly and reassembly.

38 ~~22. Per pupil guarantee. "Per pupil guarantee" means the~~
40 ~~total amount of funds that is made available for each~~
~~subsidisable pupil representing the following cost components:~~

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

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

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

48 ~~D. Identified nonstaffing costs.~~

50

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

23. **Property fiscal capacity.** "Property fiscal capacity" means the certified state valuation amount amounts for the year prior to the most recently-certified-state-valuation recent year.

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

25. **School administrative staff.** "School administrative 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

2 vocational education teachers, as documented in the department's
3 database.

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

6 **30-A. Special education costs.** "Special education costs"
7 for subsidy purposes includes:

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

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

18 C. The following preschool handicapped services:

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

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

28 D. Special education costs that are the costs of
29 educational services provided to students who are
30 temporarily unable to participate in regular school
31 programs. Students who may be included are pregnant
32 students, hospitalized students or those confined to their
33 homes for illness or injury, students involved in substance
34 abuse programs within hospital settings or in residential
35 rehabilitation facilities licensed by the Department of
36 Health and Human Services, Office of Alcoholism and Drug
37 Abuse Prevention for less than 6 weeks duration or students
38 suffering from other temporary conditions that prohibit
39 their attendance at school. Students served under this
40 paragraph may not be counted as exceptional students for
41 federal reporting purposes.

44 **30-B. State-operated institution.** "State-operated
45 institution" means any residential facility or institution that
46 is operated by the Department of Health and Human Services or a
47 school operated by the Department of Education.

48 **31. State share percentage.** "State share percentage" means
49 the percentage of the ~~sum of the following amounts that is~~

2 provided by a state appropriation; state contribution determined
3 under section 15688, subsection 3, paragraph B divided by the
4 total cost determined in section 15688, subsection 1.

6 A. --- Operating costs total allocation, as described in
7 section 15683;

8 B. --- Program costs allocation, as described in section 15608,
9 subsection 2;

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

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

14 31-A. State subsidy. "State subsidy" means the total of the
15 state contribution determined under section 15688, subsection 3,
16 paragraph B and any applicable adjustment under section 15689.

17 31-B. Subsidizable costs. "Subsidizable costs" includes
18 the costs described in paragraphs A to C and used to calculate
19 the total allocation amount:

20 A. The total operating allocation under section 15683;

21 B. Debt service cost, including the following:

22 (1) Principal and interest on approved school
23 construction costs as described in subsection 2-A,
24 paragraph A; excluding payments made with funds from
25 state and local government accounts established under
26 the federal Internal Revenue Code and regulations for
27 disposition of excess, unneeded proceeds of bonds
28 issued for a school project;

29 (2) Approved lease and lease purchase costs as
30 described in subsection 2-A, paragraphs B and D; and

31 (3) Insured value factor costs as described in section
32 5806, subsection 2; and

33 C. Adjustments and miscellaneous costs under sections 15689
34 and 15689-A including special education tuition and board,
35 excluding medical costs. For purposes of this paragraph,
36 "special education tuition and board" means:

37 (1) Tuition and board for pupils placed directly by
38 the State in accordance with rules adopted or amended
39 by the commissioner; and

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

8 **32. Subsidizable pupils.** "Subsidizable pupils" means all
10 school level pupils who reside in a school administrative unit
 and who are educated at public expense.

12 **32-A. Total allocation.** "Total allocation" means the total
14 of the operating allocation as described in section 15683 and the
 debt service allocation as described in section 15683-A.

16 Nonsubsidizable costs are not considered in the calculation of
18 the total allocation. "Nonsubsidizable costs" includes the
 following:

20 A. Community service costs;

22 B. Major capital costs;

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

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

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

34 **32-B. Transportation operating costs.** "Transportation
36 operating costs" means all costs incurred in the transportation
38 of pupils in kindergarten to grade 12, including lease costs for
40 bus garage and maintenance facilities and lease-purchase costs
42 that the school administrative unit may apply to the purchase of
44 bus garage and maintenance facilities, when the leases and
46 lease-purchase agreements have been approved by the commissioner,
 but excluding the costs of bus purchases and excluding all costs
 not associated with transporting students from home to school and
 back home each day. The amount includable for determining the
 subsidy for a school administrative unit for lease-purchase of
 bus garage and maintenance facilities may not exceed the amount
 for the lease of a comparable facility.

48 **32-C. Vocational education costs.** "Vocational education
 costs" for subsidy purposes means all costs incurred by the
 vocational regions, centers or satellites in providing approved

2 secondary school vocational education programs, excluding
3 transportation, capital costs and debt service.

4 32-D. Year. "Year" means a fiscal year starting July 1st
5 and ending June 30th of the succeeding year.

6
7 **33. Year of funding.** "Year of funding" means the fiscal
8 year during which state subsidies are disbursed to school
9 administrative units, except as specified in section 15005,
10 subsection 1.

11
12 **Sec. D-38. 20-A MRSA §15673,** as repealed and replaced by PL
13 2003, c. 712, §13, is repealed.

14
15 **Sec. D-39. 20-A MRSA §15675, sub-§1,** as enacted by PL 2003, c.
16 504, Pt. A, §6, is amended to read:

17 **1. Limited English proficiency students.** The additional
18 weights for school administrative units with limited English
19 proficiency students are as follows:
20

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

24
25 B. For a school administrative unit with more than 15 and
26 fewer than 251 limited English proficiency students, the
27 unit receives an additional weight of .30 per student; and

28
29 C. For a school administrative unit with 251 or more limited
30 English proficiency students, the unit receives an
31 additional weight of .60 per student.
32

33
34 Eligibility for state funds under this subsection is limited to
35 school administrative units that are providing services to
36 limited English proficient students through programs approved by
37 the department.

38
39 **Sec. D-40. 20-A MRSA §15676,** as enacted by PL 2003, c. 504,
40 Pt. A, §6, is amended to read:

41 **§15676. EPS per-pupil rate**

42
43 For each school administrative unit, the commissioner shall
44 calculate the unit's per-pupil-guarantee EPS per-pupil rate for
45 each year as the sum of:

46
47 **1. Teaching staff costs.** The salary and benefit costs for
48 school level teaching staff that are necessary to carry out this

Act, calculated in accordance with section 15678 and adjusted by the regional adjustment under section 15682;

2. **Other staff costs.** The salary and benefit costs for school-level staff who are not teachers, but including substitute teachers, that are necessary to carry out this Act, calculated in accordance with section 15679 and adjusted by the regional adjustment under section 15682; and

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

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

Sec. D-41. 20-A MRSA §15676-A is enacted to read:

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

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

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

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

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

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

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

2 and the result divided by the total number of students sent
3 to elementary grade receiving units by the sending unit.
4 The result is the average elementary grade EPS per-pupil
5 rate for the sending unit.

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

11 B. For units that do not operate secondary grade schools,
12 the EPS per-pupil rate for secondary grades is calculated by
13 multiplying the number of students sent by the sending unit
14 to a secondary grade receiving unit multiplied by the
15 receiving unit's EPS per-pupil rate for secondary grades and
16 the result divided by the number of students sent by the
17 sending unit to that secondary grade receiving unit. If the
18 sending unit sends students to more than one secondary grade
19 receiving unit, then the secondary grade receiving unit cost
20 for each student sent by the sending unit is added and the
21 result divided by the total number of students sent to
22 secondary grade receiving units by the sending unit. The
23 result is the average secondary grade EPS per-pupil rate for
24 the sending unit.

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

30
31 **Sec. D-42. 20-A MRSA §15681**, as enacted by IB 2003, c. 2,
32 §1, is repealed.

33 **Sec. D-43. 20-A MRSA §15681-A** is enacted to read:

34 **§15681-A. Other subsidizable costs**

35 The following are other subsidizable costs.

36 1. **Bus purchases.** Bus purchase costs.

37 2. **Special education costs.** Beginning in fiscal year
38 2005-06, a school administrative unit receives an additional
39 weight of at least 1.20 but not greater than 1.40 for each
40 special education student identified on the annual December 1st
41 child count as required by the federal Individuals with
42 Disabilities Education Act for the most recent year, up to a
43 maximum of 15% of the school administrative unit resident's
44 maximum of 15% of the school administrative unit resident's
45 maximum of 15% of the school administrative unit resident's
46 maximum of 15% of the school administrative unit resident's
47 maximum of 15% of the school administrative unit resident's
48 maximum of 15% of the school administrative unit resident's
49 maximum of 15% of the school administrative unit resident's
50 maximum of 15% of the school administrative unit resident's

2 pupils as determined under section 15674, subsection 1, paragraph
3 C, subparagraph (1). For those school administrative units in
4 which the annual December 1st child count for the most recent
5 year is less than 15% of the school administrative unit's
6 resident pupils as determined under section 15674, subsection 1,
7 paragraph C, subparagraph (1), the special education child count
8 percentage may not increase more than 0.5% in any given year, up
9 to a maximum of 1.0% in any given 3-year period. For each
10 special education student above the 15% maximum, the unit
11 receives an additional weight of .38. In addition, each school
12 administrative unit must receive additional funds:

13
14 A. For lower staff-student ratios and expenditures for
15 related services for school administrative units with fewer
16 than 20 special education students identified on the annual
17 December 1st child count as required by the federal
18 Individuals with Disabilities Education Act for the most
19 recent year;

20 B. For high-cost in-district special education placements.
21 Additional funds must be allocated for each student
22 estimated to cost 3 times the statewide special education
23 EPS per-pupil rate;

24
25 C. For high-cost out-of-district special education
26 placements. Additional funds must be allocated for each
27 student estimated to cost 4 times the statewide special
28 education EPS per-pupil rate; and

29
30 D. To ensure the school administrative unit meets the
31 federal maintenance of effort requirement for receiving
32 federal Individuals with Disabilities Education Act funds.

33
34 The commissioner shall develop an appeals procedure for
35 calculated special education costs for school administrative
36 units.

37
38 3. Transportation costs. For fiscal year 2005-06, the
39 commissioner, using information provided by a statewide education
40 policy research institute, shall establish a per-pupil
41 transportation cost for each school administrative unit based on
42 an analysis of the most recent year's reported transportation
43 expenditures and a predicted per-pupil transportation cost based
44 on the number of resident pupils, the number of miles of Class 1
45 to Class 5 roads in the school administrative unit and any
46 approved adjustments. In fiscal year 2005-06 the established
47 per-pupil transportation cost for each school administrative unit
48 is the most recent year's reported transportation expenditures or
49 predicted per-pupil transportation cost, plus 10%, whichever is
50 lower. Beginning in fiscal year 2006-07, and for each subsequent

2 fiscal year, the per-pupil transportation costs for each school
3 administrative unit are its established costs for the most recent
4 year adjusted by the Consumer Price Index or other comparable
5 index. For fiscal years 2005-06 and 2006-07, in no case may the
6 per-pupil transportation costs for a school administrative unit
7 be less than 75% of the established costs for the most recent
8 fiscal year. Every 3 years, the commissioner, using information
9 provided by a statewide education policy research institute,
10 shall examine and may adjust reported transportation expenditures
11 and predicted transportation costs. The commissioner shall
12 develop an appeals procedure for established per-pupil
13 transportation costs for school administrative units.

14 4. Vocational education costs. Vocational education costs
15 in the base year adjusted to the year prior to the allocation
16 year.

17 5. Gifted and talented education costs. Gifted and
18 talented costs in the base year adjusted to the year prior to the
19 allocation year.

20
21 **Sec. D-44. 20-A MRSA §15682**, as enacted by IB 2003, c. 2,
22 §1, is repealed.

23
24 **Sec. D-45. 20-A MRSA §15683**, as amended by PL 2003, c. 712,
25 §14, is further amended to read:

26
27 **§15683. Total operating allocation**

28
29 For each school administrative unit, that unit's total
30 operating allocation is the base total set forth in subsection 1
31 as adjusted in accordance with subsection 2 and including the
32 total amount ~~for subsection 3~~ of other subsidizable costs as
33 described in section 15681-A.

34
35 **1. Base total.** The base total of a school administrative
36 unit's total operating allocation is the sum of:

37
38 **A.** The product of the school administrative unit's
39 kindergarten to grade 8 ~~per-pupil-guarantee~~ EPS per-pupil
40 rate multiplied by the total of the kindergarten to grade 8
41 portions of the following pupil counts:

42
43 (1) The pupil count set forth in section 15674,
44 subsection 1, paragraph C;

45
46 (2) The additional weight for limited English
47 proficiency students calculated pursuant to section
48 15675, subsection 1; and

49
50

2 (3) The additional weight for economically
disadvantaged students calculated pursuant to section
4 15675, subsection 2;

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

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

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

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

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

24 (1) The product of the elementary school level and
26 middle school level per-pupil amount for targeted
student assessment funds calculated pursuant to section
28 15681, subsection 2 multiplied by the kindergarten to
grade 8 portion of the pupil count calculated pursuant
30 to section 15674, subsection 1, paragraph C,
subparagraph (1); and

32 (2) The product of the high school level per-pupil
34 amount for targeted student assessment funds calculated
pursuant to section 15681, subsection 2 multiplied by
36 the grade 9 to 12 portion of the pupil count calculated
pursuant to section 15674, subsection 1, paragraph C,
38 subparagraph (1);

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

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

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

8
10 E. If the school administrative unit is eligible for
targeted kindergarten to grade 2 funds pursuant to section
15681, subsection 1, the product of the per-pupil-guarantee
12 EPS per-pupil rate multiplied by the additional weight for
kindergarten to grade 2 calculated pursuant to section
14 15675, subsection 3, ; and

16 F. A necessary small unit adjustment. A school
administrative unit is eligible for a necessary small school
18 adjustment when the unit meets the size and distance
criteria as established by the commissioner and approved by
20 the state board. The amount of the adjustment is the result
of adjusting the necessary student-to-staff ratios
22 determined in section 15679, subsection 2, the per-pupil
amount for operation and maintenance of plant in section
24 15680, subsection 1, paragraph B or other essential programs
and services components in chapter 606-B, as recommended by
26 the commissioner.

28 2. **Adjustments.** The base total calculated pursuant to
subsection 1 must be adjusted as follows.

30 A. The base total calculated pursuant to subsection 1 must
32 be reduced by the amount of all funds received by the school
administrative unit under Title I of the federal Elementary
34 and Secondary Education Act of 1965, 20 United States Code,
Section 6301 et seq. during the most recent fiscal year.

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

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

46 **Sec. D-46. 20-A MRSA §15683**, as enacted by IB 2003, c. 2,
§1, is repealed.

48 **Sec. D-47. 20-A MRSA §15683-A** is enacted to read:

50

§15683-A. Total debt service allocation

2
3 For each school administrative unit, that unit's total debt
4 service allocation is the base total defined in section 15683,
5 subsection 1.

6
7 **Sec. D-48. 20-A MRSA §15684**, as enacted by PL 2003, c. 712,
8 §15 and IB 2003, c. 2, §1, is repealed.

9
10 **Sec. D-49. 20-A MRSA §15685**, as enacted by PL 2003, c. 504,
11 Pt. A, §6 and IB 2003, c. 2, §1, is repealed.

12
13 **Sec. D-50. 20-A MRSA §15688, sub-§1, ¶¶B and C**, as enacted by
14 PL 2003, c. 712, §17, are amended to read:

15
16 B. The program cost allocation as used in chapter 606
17 606-B; and

18
19 C. The debt service allocation as used in chapter 606 606-B.

20
21 **Sec. D-51. 20-A MRSA §15688, sub-§1, ¶¶B and C**, as enacted by
22 PL 2003, c. 712, §17, are amended to read:

23
24 B. ~~The program-cost-allocation-as-used-in-chapter-606~~ other
25 subsidizable costs described in section 15681-A; and

26
27 C. The total debt service allocation ~~as-used-in-chapter-606~~
28 described in section 15683-A.

29
30 **Sec. D-52. 20-A MRSA §15689, sub-§§1 and 3**, as enacted by PL
31 2003, c. 712, §17, are amended to read:

32
33 **1. Minimum state allocation.** Each school administrative
34 unit must be guaranteed a minimum state share of its total
35 allocation that is determined by the sum of the following:

36
37 A. Multiplying 5% of each school administrative unit's
38 essential programs and services per-pupil elementary rate by
39 the average number of resident kindergarten to grade 8
40 pupils as determined under section 15674, subsection 1,
41 paragraph C, subparagraph (1); and

42
43 B. Multiplying 5% of each school administrative unit's
44 essential programs and services per-pupil secondary rate by
45 the average number of resident grade 9 to grade 12 pupils as
46 determined under section 15674, subsection 1, paragraph C,
47 subparagraph (1).

48
49 ~~These funds must be included-as-part-of~~ an adjustment to the
50 school administrative unit's total state and local allocation as

2 ~~computed under this chapter and not as an adjustment to the~~
3 ~~school administrative unit's total allocation after the state and~~
4 ~~local allocation has been adjusted for debt service pursuant to~~
5 ~~subsection 2.~~

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

10 **Sec. D-53. 20-A MRS §15689, sub-§§4 to 6** are enacted to read:

12 **4. Audit adjustments.** The following provisions apply to
13 audit adjustments.

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

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

24 **5. Adjustment for cost of educating eligible students in**
25 **long-term drug treatment centers.** A school administrative unit
26 that operates an educational program approved pursuant to chapter
27 327 to serve eligible students in licensed drug treatment centers
28 must be reimbursed in the year in which costs are incurred as
29 follows.

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

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

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

2 Sec. D-54. 20-A MRSA §§15689-A to 15689-F are enacted to read:

4 §15689-A. Authorization of payment of miscellaneous costs

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

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

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

17 C. The commissioner shall pay only approved special
18 education costs and supportive services, including
19 transportation, authorized by this subsection for state
20 agency clients and may not allocate for those special
21 education costs and supportive services, including
22 transportation, incurred by the school administrative unit
23 for state agency clients in the base years starting July 1,
24 1985, and every base year thereafter.

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

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

33 3. Essential programs and services components contract.
34 The commissioner may contract for the updating of the essential
35 programs and services component with a statewide education
36 research institute.

37 4. Learning results implementation, assessment and
38 accountability. The commissioner may expend and disburse funds
39 limited to the amount appropriated by the Legislature to carry
40 out the purposes of Public Law 1995, chapter 649, sections 5 and
41 8.

2 5. Regionalization, consolidation and efficiency
3 assistance. The commissioner may expend and disburse funds
4 limited to the amount appropriated by the Legislature to carry
5 out the purposes of promoting regionalization, consolidation and
6 efficiency.

7 6. Education research contract. The commissioner may
8 contract for the compilation and analysis of education data with
9 a statewide education research institute.

10 7. Disbursement limitations. The funds disbursed in
11 accordance with this section are limited to the amounts
12 appropriated by the Legislature for these purposes.

13 §15689-B. Authorization and schedules of payment of state
14 subsidy; appeals

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

19 2. Notification of allocation; commissioner's duty;
20 superintendent's duty. The following provisions apply to
21 notification of allocation by the commissioner and each
22 superintendent.

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

26 B. Each superintendent shall report to the municipal
27 officers whenever the school administrative unit is notified
28 of the allocation or a change is made in the allocation
29 resulting from an adjustment.

30 3. Payments of state subsidy to unit's treasurer; basis.
31 State subsidy payments must be made directly to the treasurer of
32 each school administrative unit. The payments must be based on
33 audited financial reports submitted by school administrative
34 units.

35 4. Appeals. A school board may appeal the computation of
36 state subsidy for the school administrative unit to the state
37 board in writing within 30 days of the date of notification of
38 the computed amount. The state board shall review the appeal and
39 make an adjustment if in its judgment an adjustment is justified.
40 The state board's decision is final as to facts supported by the
41 record of the appeal.

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

6 6. Balance of allocations. Notwithstanding any other law,
general operating fund balances at the end of a school
8 administrative unit's fiscal year must be carried forward to meet
the unit's needs in the next year or over a period not to exceed
10 3 years. Unallocated balances in excess of 3% of the previous
fiscal year's school budget must be used to reduce the state and
12 local share of the total allocation for the purpose of computing
state subsidy. School boards may carry forward unallocated
14 balances in excess of 3% of the previous year's school budget and
disburse these funds in the next year or over a period not to
16 exceed 3 years.

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

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

30 §15689-C. Commissioner's recommendation for funding levels;
32 computations

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

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

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

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

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

4 (2) The expenditures for the insured value factor for
5 the base year;

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

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

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

14 D. The requested funding levels for miscellaneous costs
15 under section 15689-A.

16 3. Guidelines for updating other subsidizable costs. The
17 commissioner's recommendation for updating percentages to bring
18 base year actual costs to the equivalent of one-year-old costs
19 may not exceed the average of the 2 most recent percentages of
20 annual increase in the Consumer Price Index.

21 **§15689-D. Governor's recommendation for funding levels**

22 The Department of Administrative and Financial Services,
23 Bureau of the Budget shall annually certify to the Legislature
24 the funding levels that the Governor recommends under sections
25 15683, 15683-A, 15689 and 15689-A. The Governor's
26 recommendations must be transmitted to the Legislature within the
27 time schedules set forth in Title 5, section 1666.

28 **§15689-E. Actions by Legislature**

29 The Legislature shall annually, prior to March 15th, enact
30 legislation to:

31 1. Appropriation for state share of adjustments, debt
32 service and operating; single account. Appropriate the necessary
33 funds for the State's share for general purpose aid for local
34 schools with a separate amount for each of the following
35 components:

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

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

5 (2) Special education tuition and other tuition for
6 residents of state-operated institutions attending
7 programs in school administrative units or private
8 schools in accordance with rules adopted or amended by
9 the commissioner; and

10 B. The state share of the total operating allocation and
11 the total debt service allocation described in sections
12 15683 and 15683-A; and

13 2. Local cost share expectation. Establish the local cost
14 share expectation described in section 15671-A.

15 Funds for appropriations under this section must be placed
16 in a single account.

17 **§15689-F. Actions by department**

18 Within the annual appropriations, the department shall
19 follow the procedures described in this section.

20 1. State's obligation. If the State's continued obligation
21 for any program provided by one of the appropriated amounts under
22 section 15689-E exceeds the appropriated amount, any unexpended
23 balance from another of those appropriated amounts may be applied
24 by the commissioner toward the obligation for that program.

25 2. Cash flow. For the purpose of cash flow, the
26 commissioner may pay the full state and local share of the
27 payment amounts due on bond issues for school construction from
28 that school administrative unit's state subsidy, excluding
29 payments on non-state-funded projects. This subsection does not
30 apply if a school administrative unit has less subsidy than the
31 total principal and interest payment on bonds.

32 **Sec. D-55. 20-A MRSA §§15690 to 15695 are enacted to read:**

33 **§15690. Local appropriations**

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

37 1. School administrative unit contribution to total cost of
38 funding public education from kindergarten to grade 12. The
39 legislative body of each school administrative unit may vote to
40 allocate up to 10 percent of the total cost of funding public
41 education from kindergarten to grade 12 to the school administrative
42 unit.

2 raise and appropriate an amount up to the local share of the
3 school administrative unit's contribution to the total cost of
4 funding public education from kindergarten to grade 12 as
5 described in section 15688.

6 A. For a municipal school unit, an article in substantially
7 the following form must be used when a single municipal
8 school administrative unit is considering the appropriation
9 of the local share of the school administrative unit's
10 contribution to the total cost of funding public education
11 from kindergarten to grade 12 as described in section 15688.

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

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

33 B. For a school administrative district or a community
34 school district, an article in substantially the following
35 form must be used when the school administrative district or
36 community school district is considering the appropriation
37 of the local share of the school administrative unit's
38 contribution to the total cost of funding public education
39 from kindergarten to grade 12 as described in section 15688.

40 (1) "Article _____ : To see what sum each municipality
41 will appropriate for the school administrative unit's
42 contribution to the total cost of funding public
43 education from kindergarten to grade 12 as described in
44 the Essential Programs and Services Funding Act and to
45 see what sum each municipality will raise as each
46 municipality's contribution to the total cost of
47 _____
48 _____
49 _____
50 _____

2 funding public education from kindergarten to grade 12
3 as described in the Essential Programs and Services
4 Funding Act in accordance with the Maine Revised
5 Statutes, Title 20-A, section 15688 (Recommends):

6	<u>Total cost by</u>	<u>Municipal local</u>
7	<u>municipality</u>	<u>contribution</u>
8	<u>Town A (\$amount)</u>	<u>Town A (\$amount)</u>
10	<u>Town B (\$amount)</u>	<u>Town B (\$amount)</u>
12	<u>Town C (\$amount)</u>	<u>Town C (\$amount)</u>
14	<u>School District</u>	<u>School District</u>
16	<u>Total (\$sum of above)</u>	<u>Total (\$sum of</u> 17 <u>above)</u>

18
19 (2) The following statement must accompany the article
20 in subparagraph (1). "Explanation: The school
21 administrative unit's contribution to the total cost of
22 funding public education from kindergarten to grade 12
23 as described in the Essential Programs and Services
24 Funding Act is the amount of money determined by state
25 law to be the minimum amount that each municipality
26 must raise in order to receive the full amount of state
27 dollars."

28
29 C. The state share of the total cost of funding public
30 education from kindergarten to grade 12 as described in
31 section 15688, excluding state-funded debt service for each
32 school administrative unit, is limited to the same
33 proportion as the local school administrative unit raises of
34 its local share of the school administrative unit's
35 contribution to the total cost of funding public education
36 from kindergarten to grade 12 as described in section 15688,
37 excluding state-funded debt service.

38
39 **2. Non-state-funded debt service.** For each school
40 administrative unit's contribution to debt service for
41 non-state-funded major capital school construction projects or
42 non-state-funded portions of major capital school construction
43 projects, the legislative body of each school administrative unit
44 may vote to raise and appropriate an amount up to the
45 municipality's or district's annual payments for non-state-funded
46 debt service.

47
48 A. An article in substantially the following form must be
49 used when a school administrative unit is considering the
50 appropriation for debt service allocation for

2 non-state-funded school construction projects or
3 non-state-funded portions of school construction projects.

4 (1) "Article : To see what sum the (municipality
5 or district) will raise for the annual debt service
6 payments on a non-state-funded school construction
7 project or non-state-funded portion of a school
8 construction project in addition to the funds
9 appropriated as the local share of the school
10 administrative unit's contribution to the total cost of
11 funding public education from kindergarten to grade
12 12. (Recommend \$.)"

14 (2) The following statement must accompany the article
15 in subparagraph (1). "Explanation: Non-state-funded
16 debt service is the amount of money needed for the
17 annual payments on the (municipality's or district's)
18 long-term debt for major capital school construction
19 that is not approved for state subsidy. The bonding of
20 this long-term debt was approved by the voters on (date
21 of original referendum)."

22 **3. Additional local appropriation. A school administrative**
23 **unit may raise and expend funds for educational purposes in**
24 **addition to the funds under subsections 1 and 2.**

25 **A. An article in substantially the following form must be**
26 **used when a school administrative unit is considering the**
27 **appropriation of additional local funds:**

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

33 (2) The following statement must accompany the article
34 in subparagraph (1). "Explanation: The additional
35 local funds are those locally raised funds over and
36 above the school administrative unit's local
37 contribution to the total cost of funding public
38 education from kindergarten to grade 12 as described in
39 the Essential Programs and Services Funding Act and
40 local amounts raised for the annual debt service
41 payment on non-state-funded school construction
42 projects or the non-state-funded portion of a school
43 construction project that will help achieve the
44 (municipality's or district's) budget for educational
45 programs."

2 B. An article in substantially the following form must also
3 be used when a school administrative unit is considering an
4 appropriation of additional local funds that exceeds the
5 maximum state and local spending target defined in section
6 15671-A, subsection 4.

7 (1) "Article : Do you favor adopting a budget
8 that exceeds those costs considered reasonably
9 necessary according to the essential programs and
10 services funding model by (Recommend \$.) for the
11 purpose of (insert purpose)?"

12
13 4. Total budget article. A school administrative unit must
14 include a summary article indicating the total annual budget for
15 funding public education from kindergarten to grade 12 in the
16 school administrative unit. The amount recommended must be the
17 gross budget of the school system. This article does not provide
18 money unless the other articles are approved.

19
20 A. "Article : To see what sum the (municipality or
21 district) will authorize the school committee to expend for
22 the fiscal year beginning (July 1,) and ending (June
23 30,) from the school administrative unit's contribution
24 to the total cost of funding public education from
25 kindergarten to grade 12 as described in the Essential
26 Programs and Services Funding Act, non-state-funded school
27 construction projects, additional local funds for school
28 purposes under the Maine Revised Statutes, Title 20-A,
29 section 15690, unexpended balances, tuition receipts, state
30 subsidy and other receipts for the support of schools.
31 (Recommend \$.)"

32
33 5. Vote. Actions taken pursuant to subsections 1 to 4 must
34 be taken by a recorded vote.

35
36 6. Administrative costs for units with no pupils. If a
37 school administrative unit is required to pay administrative
38 costs and has no allocation of state or local funds, that unit
39 may raise and expend funds for administrative costs.

40 §15691. Municipal assessment paid to district

41
42 1. Presentation of assessment schedule. The assessment
43 schedule based on the budget approved at a community school
44 district or school administrative district budget meeting must be
45 presented to the treasurer of each municipality that is a member
46 of the district.

47
48 The assessment schedule must include each member municipality's
49 share of the school administrative unit's contribution to the
50

2 total cost of funding public education from kindergarten to grade
3 12 as described in section 15688, the school administrative
4 unit's contribution to debt service for non-state-funded school
5 construction projects and additional local funds for school
6 purposes under section 15690.

7 2. Municipal treasurer's payment schedule. The treasurer of
8 the member municipality, after being presented with the
9 assessment schedule, shall forward 1/12 of that member
10 municipality's share to the treasurer of the district on or
11 before the 20th day of each month of the fiscal year beginning in
12 July.

13 **§15692. Special school districts**

14 1. School administrative unit. For the purposes of section
15 15695 and Title 20, sections 3457 to 3460, a special school
16 district is deemed to be a school administrative unit.

17 2. Debt service. Debt service on bonds or notes issued by a
18 special school district must be included in the school budget of
19 the school administrative unit that operates the schools
20 constructed by that district. The school board for the school
21 administrative unit that operates the special district's schools
22 shall pay to the special school district all sums necessary to
23 meet the payments of principal and interest on bonds or notes
24 when due and to cover maintenance or other costs for which the
25 special school district is responsible.

26 **§15693. School budget; budget formats**

27 1. Content. A school administrative unit shall include in
28 its school budget document:

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

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

35 C. The following statement, including the estimated dollar
36 amount of state retirement payments: "This budget does not
37 include the estimated amount of \$ _____ in employer share
38 of teacher retirement costs that is paid directly by the
39 State."

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

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

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

16 C. Notwithstanding any municipal charter provision,
18 ordinance or other law to the contrary, if the level of
20 state subsidy for the next school year is not finalized in
22 accordance with this chapter before June 1st, the school
24 board may delay a school budget meeting otherwise required
26 to be held before July 1st to a date after July 1st. If a
28 school board elects to delay a school budget meeting under
30 this paragraph, the meeting must be held and the budget
32 approved within 30 days of the date the commissioner
 notifies the school board of the amount allocated to the
 school administrative unit under section 15689-B. When a
 school budget meeting is delayed under this paragraph, the
 school administrative unit may continue operation of the
 unit at the same budget levels as were approved for the
 previous year. Continued operation under the budget for the
 previous year is limited to the time between July 1st and
 the date the new budget goes into effect.

34 3. Budget format. The following provisions apply to a
 budget format.

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

44 B. The format of the school budget may be determined in
46 accordance with section 1306.

48 C. It is the intent of the Legislature that a school board
50 shall attempt to obtain public participation in the
 development of the school budget format.

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

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

16 6. Budget format; community school district. The following
18 provisions apply to the budget format of a community school
district.

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

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

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

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

36 C. The district school committee shall:

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

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

48 7. Budget format; articles. The articles prescribed in this
chapter must be included in the budget format and be voted on in

2 the adoption of the budget in order to determine state and local
3 cost sharing.

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

8 **\$15694. Actions on budget**

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

12
13 1. Checklist required. Prior to a vote on articles dealing
14 with school appropriations, the moderator of a regular or special
15 school budget meeting shall require the clerk or secretary to
16 make a checklist of the registered voters present. The number of
17 voters listed on the checklist is conclusive evidence of the
18 number present at the meeting.

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

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

28
29 B. In a school administrative district or community school
30 district, the meeting must be called by the school board or
31 as follows.

32
33 (1) A petition containing a number of signatures of
34 legal voters in the member municipalities of the school
35 administrative unit equalling at least 10% of the
36 number of voters who voted in the last gubernatorial
37 election in member municipalities of the school
38 administrative unit, or 100 voters, whichever is less,
39 and specifying the article or articles to be
40 reconsidered must be presented to the school board
41 within 15 days of the regular budget meeting at which
42 the budget was finally approved.

44 (2) On receiving the petition, the school board shall
45 call the special budget reconsideration meeting, which
46 must be held within 15 days of the date the petition
47 was received.

48
49 C. In a municipality, the meeting must be called by the
50 municipal officers:

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

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

16 3. Invalidation of action of special budget reconsideration
18 meeting. If a special budget meeting is called to reconsider
20 action taken at a regular budget meeting, the actions of the
 meeting are invalid if the number of voters at the special budget
 meeting is less than the number of voters present at the regular
 budget meeting.

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

28 \$15695. Bonds; notes; other

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

36 1. Tax assessments. The municipal officers or school board
38 shall require the sums that are necessary to meet in full the
40 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.

42 2. Reduction. The sums to be assessed and collected under
44 subsection 1 must be reduced by the amount of an allocation of
46 funds appropriated by the Legislature to pay the principal and
48 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.

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

7 **Sec. D-56. 20-A MRSA c. 608 is enacted to read:**

8 **CHAPTER 608**

9 **SCHOOL FINANCE ACT OF 2003**

10 **§15751. Short title**

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

13 **§15752. Mandated legislative appropriations for kindergarten**
14 **to grade 12 education**

15 The Legislature each year shall provide at least 55% of the
16 cost of the total allocation for kindergarten to grade 12
17 education from General Fund revenue sources as established in
18 chapter 606-B.

19 For the purposes of this chapter, and until such time as the
20 Legislature may implement an alternative school funding system,
21 "total allocation" means the foundation allocation for a year,
22 the debt service allocation for that year, the sum of all
23 adjustments for that year and the total of the additional local
24 appropriations for the prior year. In the event the Legislature
25 implements an alternative school funding model that alters the
26 meaning of the terms used in this Title or otherwise makes
27 obsolete the system of allocations and local appropriations
28 established by this Title, the term "total allocation" as it
29 applies to the mandatory appropriation required by this section
30 means the amount reasonably calculated as the equivalent of this
31 definition.

32 **§15753. Mandated legislative appropriations for special education**

33 The Legislature shall provide 100% of the state and local
34 cost of providing all special education services mandated under
35 federal or state law, rule or regulation as established in
36 chapter 606-B.

37 For the purposes of the mandatory appropriation required by
38 this section, and in accordance with the essential programs and
39 services school funding allocation system established in chapter
40 606-B, the commissioner shall identify and provide in the
41

2 commissioner's recommendation pursuant to section 15689-C the
3 total costs to the individual school administrative units
4 associated with providing all special education services mandated
5 under federal or state law, rule or regulation for the school
6 year associated with the commissioner's recommendation. In
7 addition to any appropriations required by section 15689-E, the
8 Legislature shall appropriate and ensure the accurate
9 distribution of the total amount identified by the commissioner,
10 adjusted by the federal reimbursements for the costs of special
11 education services mandated by federal or state law, rule or
12 regulation that will be provided to the individual school
13 administrative units for that same school year.

14 **§15754. Fund for the Efficient Delivery of Educational Services**

15 The Fund for the Efficient Delivery of Educational Services,
16 referred to in this section as "the fund," is established.

17
18 Two percent of the funds annually appropriated pursuant to
19 this chapter must be dedicated to the fund and distributed from
20 the fund to those school administrative units and municipalities
21 that can demonstrate significant and sustainable savings in the
22 cost of delivering educational services through changes in
23 governance, administrative structure or adopted policy that
24 result in the creation of consolidated school administrative
25 units, broad-based purchasing alliances, enhanced regional
26 delivery of educational services or collaborative
27 school-municipal service delivery or service support systems.

30 **§15755. Entitlement**

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

33
34 **Sec. D-57. 30-A MRSA §6006-F, sub-§6,** as enacted by PL 1997,
35 c. 787, §13, is amended to read:

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

44
45 A. Seventy percent and no less than 30% for health, safety
46 and compliance;

47
48 B. Seventy percent and no less than 30% for repairs and
49 improvements; and
50

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

6 **Sec. D-58. Application.** This Part applies to school budgets
passed for the fiscal year beginning July 1, 2005, and thereafter.

8 **Sec. D-59. Effective date.** This Part takes effect July 1, 2005.

10

PART E

12

Sec. E-1. 30-A MRS §706-A is enacted to read:

14

§706-A. Limitation on appropriations

16

18 1. Appropriation limit established. Notwithstanding any
other provision of law, a county may not in any fiscal year make
an appropriation, including an appropriation to reserves, except
as otherwise provided in this section, where such appropriation
is funded by an assessment on its member municipalities and where
such appropriation would cause the county to exceed its
assessment limit for the fiscal year. A county's assessment
limit for any fiscal year must be set at its assessment limit for
the prior fiscal year, multiplied by the sum of the following:
one; plus the income growth factor set forth in subsection 3;
plus the annual property growth factor for its member
municipalities. The annual property growth factor for member
municipalities is a fraction whose denominator is the total
combined valuation of each member municipality and whose
numerator is the total combined increase in the assessed
valuation of any real or personal property in each member
municipality during the prior fiscal year that may become subject
to taxation for the first time, or taxed as a separate parcel for
the first time during such fiscal year, 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. In establishing the property growth factor under this
section, the county must rely on the total valuation and
increased valuation calculations of each member municipality
under section 5721-A, subsection 1 for its most recently
concluded fiscal year.

44

2. Transition. The appropriation limit established in
subsection 1 becomes effective for a county for its first full
fiscal year following the effective date of this section.

46

2 A. For purposes of determining the assessment limit for the
3 first fiscal year for which this section is effective, the
4 limit must be set at the amount assessed by the county on
5 its member municipalities during the prior fiscal year,
6 multiplied by the sum of the following: one; plus the income
7 growth factor set forth in subsection 3; plus the annual
8 property growth factor for its member municipalities set
9 forth in subsection 1.

10 B. In the event the prior year's assessment reflects the
11 effect of extraordinary, nonrecurring events, the county may
12 submit a written notice to the State Tax Assessor requesting
13 an adjustment in the assessment calculation. The adjustment
14 must be determined in a reasonable amount of time.

15 3. Income growth factor. The income growth factor
16 applicable to fiscal years following the effective date of this
17 section is the base growth factor, defined as the average real
18 personal income growth rate, defined in Title 5, section 1665,
19 subsection 1, which rate may not exceed 2.75%. For fiscal years
20 commencing after such time as the state tax burden ranks in the
21 middle 1/3 of all states, as determined by the State Tax
22 Assessor, the growth factor must become the personal income
23 growth factor. The personal income growth factor is one plus the
24 average percent change in personal income in this State for the
25 prior 10 calendar years, ending with the most recent calendar
26 year for which data are available, as estimated by the United
27 States Department of Commerce, Bureau of Economic Analysis. For
28 purposes of this section, "state tax burden" means the total
29 amount of state and local taxes paid by Maine residents, per
30 \$1,000 of income, as determined by the State Tax Assessor based
31 on data from the United States Department of Commerce, Bureau of
32 Census and Bureau of Economic Analysis. The State Tax Assessor
33 shall undertake this calculation no less than once per year. For
34 any fiscal year thereafter, if the State Tax Assessor has
35 determined that the state tax burden has increased to the highest
36 1/3 of states, the growth factor for the following fiscal year
37 must be the base growth factor. In all other fiscal years when
38 the state tax burden ranks in the middle 1/3 of states, as
39 determined by the State Tax Assessor, the growth factor must be
40 the personal income growth factor.

41 4. Adjustment for new state funding. In addition to
42 subsection 3, in the event the State provides net new funding to
43 a county for existing services funded in whole or in part by
44 assessments, other than required state mandate funds pursuant to
45 section 5685 that do not displace current assessment-based
46 expenditures, the county must lower its assessment limit in that
47 year in an amount equal to the net new funds. For purposes of
48 this subsection, "net new funds" means the amount of funds
49 received from the State that are not required to be used for
50 state mandate purposes.

2 received by the county from the State in that fiscal year, with
3 respect to services funded in whole or in part by assessments,
4 less the following product: the amount of such funds received in
5 the prior fiscal year multiplied by an adjustment factor. The
6 adjustment factor equals: one; plus the income growth factor
7 described in subsection 3; plus the annual property growth factor
8 for member municipalities as defined in subsection 1. In the
9 event a county receives net new funds in any fiscal year for
10 which its assessment limit has not been adjusted as provided in
11 this subsection, the county must adjust its assessment limit in
12 the following year in an amount equal to the net new funds.

13
14 5. Extraordinary events. Upon the affirmative vote of a
15 majority of its governing body, a county may exceed its
16 assessment limit in such an amount as necessary to comply with a
17 court order or decree or to respond to an extraordinary event.
18 An "extraordinary event" includes any catastrophic event outside
19 the control of the county commissioners such as a natural
20 disaster, severe weather event, act of God, act of terrorism,
21 fire, war and riot, but in no event may an "extraordinary event"
22 include a change in economic conditions, revenue shortfall or
23 increase in salaries or benefits. An appropriation made under
24 this subsection may not cause the county's assessment limit to be
25 adjusted for any future fiscal years nor may such an
26 appropriation continue for longer than required to comply with
27 the court order or decree or to address the extraordinary event.

28
29 6. Referendum. A county may elect to raise its assessment
30 limit upon the affirmative vote of the voters of the county by
31 written referendum vote held at any regular or special election.
32 Notwithstanding any law to the contrary, such referendum may be
33 called only upon the affirmative vote of a majority of the county
34 commissioners and must be governed according to state law and any
35 applicable charter. The warrant for the referendum must set
36 forth the question to be determined, which must be in the
37 following form: "Do you favor raising the levy limit of [name of
38 county] for the purpose of [insert purpose]?"

39
40 7. Treatment of surplus. Any assessments collected by a
41 county in any fiscal year in excess of its assessment limit, as
42 determined by a final audited accounting, must be transferred to
43 a property tax relief fund, which each county must establish, and
44 used to reduce assessments in subsequent fiscal years. Nothing
45 in this subsection is intended to limit the ability of a county
46 to maintain adequate reserves as permitted by law, provided that
47 annual allocations or appropriations of funds to reserves are
48 treated as appropriations subject to the appropriation limits set
forth in subsection 1.

2 8. Enforcement. In the event a county makes appropriations
3 in violation of this section, the State Tax Assessor may require
4 the county to adjust its appropriation limit downward in an
5 amount equal to the illegal appropriation and impose such other
6 penalties as the Legislature may provide.

8 **PART F**

10 **Sec. F-1. 36 MRS A §685-A is enacted to read:**

12 **§685-A. Program funding**

14 During the period in which the State is increasing funding
15 to at least 55% of the cost of essential programs and services,
16 as described in Title 20-A, section 15671, the appropriation for
17 the homestead property tax exemption must be at least \$36,000,000.

18 Notwithstanding any other provision of law, beginning with
19 fiscal year 2005-06 and ending with the fiscal year for which the
20 State first enacts a budget that funds at least 55% of the cost
21 of essential programs and services as described in Title 20-A,
22 section 15671, the State Controller shall transfer at the close
23 of the fiscal year the balance of the funds appropriated for the
24 homestead property tax exemption under this chapter after all
25 required deductions of appropriation, budgeted financial
26 commitments and other adjustments considered necessary by the
27 State Controller have been made to the so-called circuit breaker
28 reserve for the following fiscal year.

30 **Sec. F-2. 36 MRS A §6203-A, as enacted by PL 2003, c. 673, Pt.**
31 **BB, §2, is amended to read:**

34 **§6203-A. Procedure for reimbursement**

36 ~~At least monthly on or before the last day of the month, the~~
37 The State Tax Assessor shall determine the benefit for each
38 claimant under this chapter and certify the amount to the State
39 Controller to be transferred to the so-called circuit breaker
40 reserve established, maintained and administered by the State
41 Controller from General Fund undedicated revenue within the
42 individual income tax category. ~~At least monthly, the~~ The
43 assessor shall pay the certified amounts to each approved
44 applicant qualifying for the benefit under this chapter.
45 Interest may not be allowed on any payment made to a claimant
46 pursuant to this chapter. In addition to the transfer required
47 by section 685-A, by the end of fiscal years 2006-07, 2007-08 and
48 2008-09, the State Controller shall ensure that the amount
49 transferred to the so-called circuit breaker reserve from
50 undedicated revenue within the individual income tax category is

2 equal to the amount needed to meet the requirements of this
3 chapter for that year as estimated by the Revenue Forecasting
4 Committee established in Title 5, section 1710-E in its report
5 dated December 1, 2004, as adjusted by the assessor to reflect
6 any statutory changes to this chapter enacted after the date of
7 that report. The assessor must report any required adjustment to
8 the State Controller no later than 15 days prior to the end of
9 the fiscal year.

10 Beginning with fiscal year 2009-10 and ending with the
11 fiscal year subsequent to the fiscal year for which the State
12 first increases funding to at least 55% of the cost of essential
13 programs and services as described in Title 20-A, section 15671,
14 the State Controller shall ensure that, in addition to the
15 transfer required by section 685-A, the amount transferred to the
16 so-called circuit breaker reserve from undedicated revenue within
17 the individual income tax category is equal to the estimated
18 amount needed to meet the requirements of this chapter for that
19 year as determined by the Revenue Forecasting Committee
20 established in Title 5, section 1710-E and reported to the State
21 Controller no later than June 15th of the respective fiscal
22 year. For purposes of this estimate, the Revenue Forecasting
23 Committee shall assume that funding for the essential programs
24 and services as described in Title 20-A, section 15671 was never
25 enacted. The estimate must take into account any statutory
26 changes to this chapter enacted after the Revenue Forecasting
27 Committee's December 1, 2004 report.

28 Any amounts remaining in the so-called circuit breaker
29 reserve account at the end of the fiscal year must be carried
30 forward to the next fiscal year.

31 **Sec. F-3. 36 MRSA §6207, sub-§§1 and 2,** as amended by PL 1997,
32 c. 557, Pt. A, §3 and affected by Pt. G, §1, are further amended
33 to read:

34 **1. Benefit calculation.** For claimants representing a
35 nonelderly household, the benefit is calculated as follows:

36 A-1. Fifty percent of that portion of the benefit base that
37 exceeds 4% but does not exceed 8% of income plus 100% of
38 that portion of the benefit base that exceeds 8% of income
39 to a maximum payment of \$1,000.

40 The State Tax Assessor shall increase the maximum payment amount
41 provided in paragraph A-1 no later than August 15, 2007, and
42 annually thereafter, by an amount determined by the sum of any
43 funds in the so-called circuit breaker reserve under section
44 6203-A as of July 1st of the fiscal year. In no fiscal year may
45 the maximum payment amount arising from the adjustment made by
46 the State Tax Assessor exceed the amount provided in paragraph A-1
47 no later than August 15, 2007, and annually thereafter, by an
48 amount determined by the sum of any funds in the so-called
49 circuit breaker reserve under section 6203-A as of July 1st of
50 the fiscal year.

2 the State Tax Assessor be less than in the prior fiscal year. The
3 maximum payment amount must be rounded down to the nearest \$50.

4 **2. Income eligibility.** Single-member households with
5 household incomes in excess of ~~\$25,700~~ \$50,000 and households
6 with 2 or more members with a household income in excess of
7 ~~\$40,000~~ \$75,000 are not eligible for a benefit.

8 **Sec. F-4. 36 MRSA §6209, sub-§1,** as amended by PL 1989, c.
9 508, §25, is further amended to read:

10 **1. Household limitation adjustment.** ~~Beginning--March--1,~~
11 ~~1989,--and--annually--thereafter,--the~~ The State Tax Assessor shall
12 determine annually the household income eligibility adjustment
13 factor. That factor shall ~~must~~ be multiplied by the applicable
14 income limitations in ~~section~~ sections 6206 and 6207, ~~as~~
15 previously adjusted according to this subsection, ~~applicable~~ for
16 the year prior to that for which relief is requested. The result
17 shall ~~must~~ be rounded to the nearest \$100 and shall ~~apply~~ applies
18 to the year for which relief is requested corresponding to the
19 year on which the annualized cost of living adjustments were
20 based. ~~Beginning--March--1,--1991,--the--same--procedure--shall--be~~
21 ~~employed--to--adjust--the--income--limitation--in--section--6207,~~
22 ~~subsection--2.~~

23 **Sec. F-5. 36 MRSA §6656,** as amended by PL 2001, c. 714, Pt.
24 BB, §2 and affected by §4, is further amended to read:

25 **§6656. Payment of claims; procedure for reimbursement**

26 Except as provided in section 6652, subsection 3, upon
27 receipt of a timely and properly completed claim for
28 reimbursement, the State Tax Assessor shall certify that the
29 claimant is eligible for reimbursement and shall pay the amount
30 claimed ~~from--the--General--Fund~~ as provided by this section by
31 November 1st or within 90 days after receipt of the claim,
32 whichever is later. For those claims for which payments are
33 withheld pursuant to section 6652, subsection 3, reimbursement
34 must be paid within 90 days after the assessor receives
35 notification under that subsection that the report has been
36 received.

37 Notwithstanding any other provision of law, the State Tax
38 Assessor shall determine the benefit for each claimant under this
39 chapter and certify the amount to the State Controller to be
40 transferred to the so-called Business Equipment Tax Reimbursement
41 Reserve account established, maintained and administered by the
42 State Controller from General Fund undedicated revenue within the
43 individual income tax category. The assessor shall pay the
44 certified amounts to each approved applicant qualifying for the

benefit under this chapter. Interest may not be allowed on any payment made to a claimant pursuant to this chapter.

Sec. F-6. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Business Equipment Tax Reimbursement Program 0806

Initiative: Deappropriates funds in the Business Equipment Tax Reimbursement program in order to establish the Business Equipment Tax Reimbursement Reserve account from General Fund undedicated revenue within the individual income tax category.

GENERAL FUND	2005-06	2006-07
All Other	(\$78,132,345)	(\$82,896,495)
GENERAL FUND TOTAL	(\$78,132,345)	(\$82,896,495)

REVENUES	2005-06	2006-07
Individual income tax		
General Fund	(\$74,069,463)	(\$78,585,877)
Local Government Fund	(\$4,062,882)	(\$4,310,618)
REVENUES TOTAL	(\$78,132,345)	(\$82,896,495)

Sec. F-7. Maine Residents Property Tax Program. The State Tax Assessor shall undertake a study of the Maine Residents Property Tax Program and shall specifically examine how the program can be amended so that the maximum benefit provided by the program may be increased over time. The study shall examine alternative means by which the maximum benefit under the program may be increased to \$2,000 in time for the 2009 program year and to \$3,000 in time for the 2011 program year. The State Tax Assessor shall also study the potential benefits of making the Maine Residents Property Tax Program a part of the Maine income tax program. The State Tax Assessor shall report to the joint standing committee of the Legislature having jurisdiction over taxation matters by January 2, 2006.

Sec. F-8. Maine State Housing Authority property tax deferral program. The Maine State Housing Authority, in consultation with Maine Revenue Services, shall develop a plan to issue bonds, the proceeds from which must be used to establish a property tax deferral program. The program will allow any Maine resident with a property tax bill on that resident's principal residence that exceeds 6% of that resident's income to elect to

2 defer property tax payments that otherwise exceed 6% of income.
3 The program must require repayment, with interest, of deferred
4 property tax amounts upon transfer of the property. The program
5 must provide for securing the property tax payments deferred,
6 consider equity in the property and provide for low transaction
7 costs and for ease of application for program participants. The
8 Maine State Housing Authority shall examine the impact upon
9 program participants if market value in the property has declined
10 from the time of property tax payment deferral to the time of
11 property transfer. The Maine State Housing Authority shall, in
12 consultation with Maine Revenue Services, develop and implement
13 administrative policies and practices, including but not limited
14 to a common application form, to ensure coordination of the
15 property tax deferral program established by this section and the
16 Maine Residents Property Tax Program established in the Maine
17 Revised Statutes, Title 36, chapter 907. The Maine State Housing
18 Authority shall report to the joint standing committee of the
19 Legislature having jurisdiction over taxation matters by March 1,
20 2005 any legislation necessary to carry out the purpose of this
21 section. The committee may subsequently report to the First
22 Regular Session of the 122nd Legislature any implementing
23 legislation to carry out the purposes of this section.

24 **Sec. F-9. Household income eligibility adjustment factor.** The
25 household income eligibility adjustment factor in the Maine
26 Revised Statutes, Title 36, section 6209, subsection 1 may not be
27 applied to Title 36, section 6207 for the Maine Residents
28 Property Tax Program that begins on August 1, 2005.

30 **Sec. F-10. Application.** That section of this Part that amends
31 the Maine Revised Statutes, Title 36, section 6207, subsection 2
32 applies to applications filed for any Maine Residents Property
33 Tax Program beginning on or after August 1, 2005. That section
34 of this Part that amends Title 36, section 6209 applies to any
35 Maine Residents Property Tax Program beginning on or after August
36 1, 2005, except that the household income eligibility adjustment
37 factor in Title 36, section 6209 does not apply to Title 36,
38 section 6207 for the Maine Residents Property Tax Program that
39 begins on August 1, 2005.

40 **Sec. F-11. Effective date.** That section of this Part that
41 amends the Maine Revised Statutes, Title 36, section 6656 takes
42 effect July 1, 2005.

44

46

PART G

48 **Sec. G-1. 30-A MRSA §7102,** as enacted by PL 1987, c. 737,
Pt. A, §2 and Pt. C, §106 and amended by PL 1989, c. 6, c. 9, §2

2 and c. 104, Pt. C, §§8 and 10, is further amended by adding at
the end a new paragraph to read:

4 The appropriation limitations set forth in section 5721-A
6 are applicable to the appropriations and revenues of plantations.

8 **PART H**

10 **Sec. H-1. 36 MRSA Pt. 11 is enacted to read:**

12 **PART 11**

14 **STATE TAX POLICY GOALS**

16 **CHAPTER 931**

18 **TAX BURDEN REDUCTION GOAL**

20 **§7301. Tax reduction goal**

22 It is the goal and policy of the State that by 2015 the
24 total state and local tax burden be reduced to the national
26 average total state and local tax burden, as determined by the
28 United States Census Bureau's most recent tax burden analysis,
adjusted by the assessor to reflect the State's unique
expenditure tax relief programs.

30 **§7302. Progress reporting**

32 1. Independent commission; membership. In consultation
34 with the Legislative Council, the Governor shall establish an
36 independent commission to separately assess and report on the
38 progress made by the State, municipalities, counties and school
40 administrative units, respectively, in achieving the tax burden
42 reduction goal established in section 7301. The Governor shall
appoint as members to serve on the commission persons with
pertinent knowledge and expertise in economic development,
government finance, tax policy and business matters. The
Governor shall designate a member to serve as chair of the
commission. The commission may seek and receive outside funds to
fund the costs of the commission.

44 2. Indicators; annual report. With reference to Title 5,
46 chapter 142; Title 20-A, section 15671, subsection 1; and Title
48 30-A, sections 706-A and 5721-A, the commission shall develop and
apply specific, quantifiable performance indicators against which
the progress in achieving the tax burden reduction goal
established in section 7301 can be measured. On January 15, 2006
and annually thereafter, the commission shall report to the

2 Governor and to the joint standing committee of the Legislature
4 having jurisdiction over taxation matters on the progress made by
6 the State, counties, municipalities and school administrative
8 units, respectively, in achieving the tax burden reduction goal
10 established in section 7301. The report required by this
12 subsection must be comprised of 4 distinct parts reporting on the
progress made by the State, municipalities, counties and school
administrative units, respectively. The commission may also
include in its report recommendations on alternative strategies
to achieve the tax burden reduction goal established in section
7301 that reflect the best practices in this State, other states
and other countries.

14 **Sec. H-2. Fund for the Efficient Delivery of Educational Services.**

16 In accordance with Initiated Bill 2003, chapter 2, section 4,
18 subsection 2, this section provides for the design,
20 implementation, management and oversight of the Fund for the
22 Efficient Delivery of Educational Services established by the
Maine Revised Statutes, Title 20-A, section 15684, referred to in
this section as "the fund." Any balance remaining in the fund at
the end of any fiscal year does not lapse and must be carried
forward for the next fiscal year.

24 The Department of Education shall administer the fund or may
contract for services for administration of the fund.

26 Notwithstanding Title 20-A, section 15684, the Treasurer of
28 State shall transfer from the amount appropriated for general
30 purpose aid for local schools to the fund the following amounts
on the first day of each of the following fiscal years:

32 **1. Fiscal year 2005-06.** In fiscal year 2005-06, an amount
34 equivalent to 0.5% of the total amount appropriated for general
purpose aid for local schools;

36 **2. Fiscal year 2006-07.** In fiscal year 2006-07, an amount
38 equivalent to 1% of the total amount appropriated for general
purpose aid for local schools;

40 **3. Fiscal year 2007-08.** In fiscal year 2007-08, an amount
42 equivalent to 1.5% of the total amount appropriated for general
purpose aid for local schools; and

44 **4. Fiscal year 2008-09.** In fiscal year 2008-09, an amount
46 equivalent to 2% of the total amount appropriated for general
purpose aid for local schools.

48 The Department of Education, in consultation with the
Executive Department, State Planning Office and the other
50 agencies, organizations and individuals determined appropriate by

2 the Commissioner of Education, shall establish criteria through
3 which school administrative units and municipalities may
4 demonstrate significant and sustainable savings in the cost of
5 delivering educational services and improved achievement through
6 changes in governance, administrative structure or adopted policy
7 that result in the creation of consolidated school administrative
8 units, broad-based purchasing alliances, enhanced regional
9 delivery of educational services or collaborative
10 school-municipal service delivery or service support systems.

11
12 Prior to the end of fiscal year 2008-09, a school
13 administrative unit or municipality may apply to the Commissioner
14 of Education for a distribution from the fund. Pursuant to
15 criteria established in this section, the commissioner may
16 authorize distributions from the fund in the form of competitive
17 and planning grants.

18 **Sec. H-3. Fund for the Efficient Delivery of Local and Regional**
19 **Services; distribution.** In accordance with Initiated Bill 2003,
20 chapter 2, section 4, subsection 3, this section provides for the
21 design, implementation, management and oversight of the Fund for
22 the Efficient Delivery of Local and Regional Services established
23 in the Maine Revised Statutes, Title 30-A, section 5681,
24 subsection 3, referred to in this section as "the fund." The
25 Department of Administrative and Financial Services shall
26 distribute the fund, in the form of competitive grants and
27 planning grants, to municipalities that demonstrate significant
28 and sustainable savings in the cost of delivering local and
29 regional governmental services, or, in the case of planning
30 grants, the potential for such savings, through collaborative
31 approaches to service delivery, enhanced regional delivery
32 systems, the consolidation of regional services and the creation
33 of broad-based purchasing alliances in accordance with the
34 criteria and application process developed by the department
35 pursuant to Public Law 2003, chapter 20, Part W, section 2. The
36 Department of Administrative and Financial Services may contract
37 for services for administration of the fund.

38
39 **Emergency clause.** In view of the emergency cited in the
40 preamble, this Act takes effect when approved, except as
41 otherwise indicated.

44 SUMMARY

45
46 This bill increases the state share of education costs,
47 provides property tax reduction for Maine residents and reduces
48 government spending at all levels. Specifically, the bill
49 accomplishes the following.
50

2 Part A reconstitutes and changes the current State Budget
Stabilization Fund to further control state spending and taxes.

4 Part B supports additional property tax reduction by
6 promoting government efficiencies, including efficiencies that
might assist implementing property tax reductions from additional
8 state education funding, by the Intergovernmental Advisory
Group.

10 Parts C and E establish caps on the growth of municipal and
12 county spending, respectively. These caps may not be exceeded
except in defined extraordinary circumstances or as overridden by
14 a majority vote of the voters of the municipality or county.

16 Part D establishes a cap on total education costs. It also
requires the State to increase its share of school funding by
18 paying 50% of the total cost of essential programs and services
in fiscal year 2006-07 and 55% in fiscal year 2008-09. As a
20 result of this increased state aid to education, 90 cents of
every dollar of the additional state aid are available for
22 property tax reduction. The funds made available for property
tax reduction, as a result of the State's increasing its share of
24 education funding, must reduce property taxes. This property tax
reduction may be overridden only by a majority vote of affected
26 voters.

28 Part D also corrects a numbering problem created when Public
Law 2003, chapter 504, Part A, section 6 and Initiated Bill 2003,
chapter 2 both enacted substantively different provisions with
30 the same section numbers.

32 Part F provides funding for increasing property tax relief
over the period of time during which the State is increasing
34 funding of education spending up to at least 55%. The specific
relief provided is in an increase in the income limits and
36 maximum payment amount to claimants under the Maine Residents
Property Tax Program.

38 Part F expands the nonelderly portion of the Maine Residents
40 Property Tax Program by increasing household income limitations
to \$50,000 for single-member households and \$75,000 for
42 multimember households. The expansion applies to program years
beginning on or after August 1, 2005.

44 Part F directs the State Tax Assessor to undertake a study
46 of the Maine Residents Property Tax Program in order to examine
how the maximum benefits under the program may be increased over
48 time. The State Tax Assessor is to report to the joint standing
committee of the Legislature having jurisdiction over taxation
50 matters by January 2, 2006.

2 Part F directs the Maine State Housing Authority to create a
tax deferral program. The tax relief option in this section
4 would permit any Maine resident to defer property tax payments on
a principal residence, so that no Maine resident will have to pay
6 more than 6% of income in property taxes. The program must
require repayment, with interest, of deferred property tax
8 amounts upon transfer of the property. The program must provide
for securing the property tax payments deferred, consider equity
10 in the property and provide for low transaction costs and provide
for ease of application for program participants. The Maine
12 State Housing Authority and Maine Revenue Services must examine
combining administration of the tax deferral program and Maine
14 Residents Property Tax Program.

16 Part F eliminates the appropriation for the Business
Equipment Tax Reimbursement, "BETR," program and in its place
18 creates the Business Equipment Tax Reimbursement Reserve account,
to which transfers are made from General Fund undedicated revenue
20 within the individual income tax category in order to pay
benefits under the BETR program.

22 Part G provides that the appropriation limitations for
24 municipalities under Part C are applicable to plantations.

26 Part H establishes the goal of reducing the total state and
local tax burden to the national average in 10 years. It also
28 requires the Governor, in consultation with the Legislative
Council, to establish an independent commission to annually
30 assess and report to the Governor and Legislature on progress
toward the tax burden reduction goal.

32 Part H supports additional property tax reduction through
34 grants to municipalities and schools to create cost-saving
service delivery.

36