

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 300

H.P. 225

House of Representatives, January 18, 2005

**An Act To Provide a Schedule of School Funding That Provides
55% State Coverage of the Cost of Essential Programs and Services
over a Period of 2 Years**

Reported by the Minority of the Joint Select Committee on Property Tax Reform pursuant
to Joint Order 2005, H.P. 108.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

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

PART A

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

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

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

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

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

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

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

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

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

- (1) The number of resident pupils in each town;
- (2) The fiscal capacity of each member municipality as defined in section 15603,--~~subsection--11-A~~ 15672, subsection 23;
- (3) Any combination of subparagraphs (1) and (2); or

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

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

6
8 **3. Summary action.** To summarize the action taken on the
school budget for the purposes of determining state and local
10 cost sharing, the articles prescribed in chapter ~~606~~ 606-B must
also be voted upon.

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

14
16 **4. Budget explanation.** The warrant may include an
explanation of the relationship between warrant articles
authorizing specific line item expenditures as provided in
18 subsection 1 and the articles prescribed in chapter ~~606~~ 606-B
summarizing the budget proposal.

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

24 **§1308. Failure to pass budget**

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

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

40
42 C. Minor capital costs as defined in section ~~15603,~~
subsection-18 15672, subsection 20-A.

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

46
48 K. To borrow funds for minor capital costs as defined in
section ~~15603,-subsectien-18~~ 15672, subsection 20-A.

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

4 **2. Expense of keeping the school open.** If the voters vote
to keep the school open, the member municipality is liable for
6 some additional expense for actual local operating costs and
transportation operating costs as defined in section ~~15603~~
8 15672. The determination of costs is subject to the approval of
the commissioner. The cost to be borne by the town voting to
10 keep an elementary school open is the amount that would be saved
if the school were closed. Any additional costs that must be
12 borne by the member municipality must be part of the article
presented to the voters at the meeting to determine whether the
14 school should remain open.

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

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

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

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

34 **Sec. A-13. 20-A MRSA §1701, sub-§12**, as amended by PL 1999, c.
36 710, §10, is further amended to read:

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

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

46 **5. Failure to approve budget.** If the voters do not
validate the budget approved in the district budget meeting at
48 the budget validation referendum vote, the district school
committee shall hold another district budget meeting in
50 accordance with section 1701, subsection 8 at least 10 days after

the referendum to vote on a budget approved by the committee. The budget approved at the district budget meeting must be submitted to the voters for validation at referendum in accordance with this section. The process must be repeated until a budget is approved at a district budget meeting and validated at referendum. If a budget is not approved and validated before July 1st of each year, the latest budget submitted by the committee is automatically considered the budget for operational expenses for the ensuing year until a final budget is approved, except that when the school committee delays the district budget meeting in accordance with section ~~15617~~ 15693, subsection 2, paragraph C the operating budget must be approved within 30 days of the date the commissioner notifies the school committee of the amount allocated to the school unit under section ~~15613~~ 15689-B or the latest budget submitted by the committee becomes the operating budget for the next school year.

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

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

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

§4003-A. Hazardous chemicals

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

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

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

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

C. A school board may obtain a short-term loan or enter into a lease-purchase agreement to acquire school buses if the loan is approved by the unit's legislative body or if funds that can be used for the initial lease-purchase payment have been appropriated by the unit's legislative body. The term of a loan or a lease-purchase agreement may not exceed 5 years. The commissioner shall establish a 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
accordance with ~~section-15603,-subsection-26-A~~ chapter 606-B.

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

§6303. Medicaid for health and human services

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

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

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

§6654. School-based child care grants

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

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

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

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

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

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

2 **Sec. A-24. 20-A MRSA §8351**, as amended by PL 1991, c. 518,
3 §9 and c. 716, §6 and PL 2003, c. 545, §5, is further amended to
4 read:

6 **§8351. State aid for career and technical education centers**
7 **and career and technical education regions**

8 State aid for centers and regions must be administered in
10 accordance with chapters ~~606~~ 606-B and 609 and Title 20, section
11 3457.

12 **Sec. A-25. 20-A MRSA §8402**, as corrected by RR 2003, c. 2,
14 §55, is amended to read:

16 **§8402. Programs**

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

34 **Sec. A-26. 20-A MRSA §8404, sub-§3, ¶C**, as corrected by RR
36 2003, c. 2, §59, is amended to read:

38 C. Shall, in the event that the school boards of School
39 Administrative District No. 27, School Administrative
40 District No. 33 and Madawaska School Department enter into a
41 cooperative agreement pursuant to section 8401 and a new
42 career and technical education center in Maine School
43 Administrative District No. 33 becomes operational, devise a
44 cost sharing formula for the center established thereby
45 pertaining to the cost of career and technical education
46 programs that exceed expenditures made for those programs in
47 the base year as adjusted pursuant to section ~~15603~~ 15681-A,
48 subsection --5- 4 and to the local share of debt service
49 costs attributable to construction of the center in School
50 Administrative District No. 33;

2 **Sec. A-27. 20-A MRSA §8451-A**, as corrected by RR 2003, c. 2,
3 §61, is amended to read:

4 **§8451-A. Programs**

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

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

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

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

28 B. The unit in which such a person resides must be
29 reimbursed in accordance with ~~chapters-606-and-606-A~~ chapter
30 606-B.

31 **Sec. A-30. 20-A MRSA §8606-A, sub-§2, ¶C**, as amended by PL
32 1991, c. 518, §38, is further amended to read:

33 C. The recommendation in the commissioner's funding level
34 certification must include local program cost adjustment to
35 the equivalent of the year prior to the year of allocation.
36 This adjustment is calculated according to the same
37 guidelines established, for purposes of chapter ~~606~~ 606-B,
38 by section ~~15605~~ 15689-C, subsection 3.

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

40 **§15622. Repeal**

This chapter is repealed July 1, 2005.

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

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

A. The level of the state share of funding attributable to the cost of the components of essential programs and services must be at least 50% of eligible state and local General Fund education costs statewide, no later than fiscal year 2007-08 2005-06; and

B. By fiscal year 2009-10 2006-07 the state share of the total cost of funding public education from kindergarten to grade 12, as described by essential programs and services, must be 55%. ~~Beginning in fiscal year 2005-06 and in each fiscal year until fiscal year 2009-10, the state share of essential programs and services described costs must increase toward the 55% level required in fiscal year 2009-10.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) For fiscal year 2006-07, the target is 88% 100%.

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

~~(4) For fiscal year 2008-09, the target is 96%.~~

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

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

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

(2) For fiscal year 2006-07, the target is 52.6% 55%.

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

2 ~~(4)--For-fiscal-year-2008-09,-the-target-is-54%.~~

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

8 **Sec. A-35. 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, including the
total allocations for program-cost other subsidizable costs,
20 debt service costs and 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-~~ 3-A.

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

34 D. "Statewide valuation" means the certified total state
36 valuation for the year prior to the most recently certified
total state valuation for all municipalities statewide.

38 **2. Local cost share expectation.** ~~The--local--cost--share~~
40 ~~expectation---is---established---as---follows.~~ This subsection
establishes full-value education mill rates that limit a
42 municipality's required local contribution pursuant to section
15688, subsection 3-A. The full-value mill rates represent rates
44 that, if applied to the statewide valuation, would produce the
statewide total local share. Notwithstanding any other provision
46 of law, with respect to the assessment of any property taxes for
property tax years beginning on or after April 1, 2005, a
48 municipality's required local contribution determined pursuant to
section 15688, subsection 3-A establishes the local cost share
50 expectation for that municipality.

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

15 B. For property tax years beginning on or after April 1,
16 2005, the commissioner shall calculate the full-value
17 education mill rate that is required to raise the statewide
18 ~~total of the local cost share expectation.~~ The full-value
19 education mill rate is calculated for each fiscal year by
20 dividing the applicable ~~tax-year percentage of the projected~~
21 ~~cost of funding public education from kindergarten to grade~~
22 ~~12 statewide total local share~~ by the certified total state
23 applicable statewide valuation ~~for the year prior to the~~
24 ~~most recently certified total state valuation for all~~
25 ~~municipalities.~~ The full-value education mill rate must
26 decline over the period from fiscal year 2005-06 to fiscal
27 year ~~2009-10~~ 2006-07 and may not exceed 9.0 mills in fiscal
28 year 2005-06 and may not exceed 8.0 mills in fiscal year
29 ~~2009-10~~ 2006-07. The full-value education mill rate must be
30 applied according to section 15688, subsection ~~--3-~~ 3-A,
31 paragraph A to determine a municipality's local cost share
32 expectation. Full-value education mill rates must be
33 derived according to the following schedule.

34 (1) For the 2005 property tax year, the full-value
35 education mill rate is the amount necessary to result
36 in a 47.4% statewide total local share in fiscal year
37 2005-06.

38 (2) For the 2006 property tax year, the full-value
39 education mill rate is the amount necessary to result
40 in a 47.4% 45% statewide total local share in fiscal
41 year 2006-07.

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

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

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

3. Exceeding maximum local cost share expectations; separate article. Beginning with the 2005-2006 school budget, the legislative body of a school administrative unit may adopt property tax rates an additional local appropriation that exceeds the local cost share expectation established by section 15688, subsection 3-3-A, paragraph A only if that action is approved in a separate article by a vote of the school administrative unit's legislative body through the same process that the school budget is approved in that school administrative unit and in accordance with section 15690. If that additional appropriation causes the school administrative unit to exceed the maximum state and local spending target described in subsection 4, the requirements of subsection 5 apply.

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

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

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

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

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

5. Exceeding maximum state and local spending target. If the sum of a school administrative unit's required local contribution determined pursuant to section 15688, subsection 3-A plus the state contribution as calculated pursuant to section 15688, subsection 3-A, paragraph D plus any additional local amount proposed to be raised pursuant to section 15690, subsection 3 exceeds the school administrative unit's maximum state and local spending target established pursuant to subsection 4, the following provisions govern approval of that additional amount.

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

13 B. In a municipality where the responsibility for final
14 adoption of the school budget is vested by the municipal
15 charter in a council, this paragraph applies, except that
16 the petition and referendum provisions apply only if the
17 municipal charter does not otherwise provide for or prohibit
18 a petition and referendum process with respect to the
19 matters described in this paragraph.

20 (1) A majority of the entire membership of the school
21 board or committee must approve the additional amount
22 in a regular budget meeting.

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

31 (3) If an article is approved by the council pursuant
32 to subparagraph (2), the voters may petition for a
33 referendum vote on the same article in accordance with
34 subparagraph (4). If a petition is filed in accordance
35 with subparagraph (4), the vote of the council is
36 suspended pending the outcome of the referendum vote.
37 Upon approval of the article by a majority of the
38 voters voting in that referendum, the article takes
39 effect. If the article is not approved by a majority
40 of the voters voting in that referendum, the article
41 does not take effect. Subsequent to the vote, the
42 school committee or board may again propose an
43 additional amount, subject to the requirements of this
44 section.

45 (4) If a written petition, signed by at least 10% of
46 the number of voters voting in the last gubernatorial
47 election, is filed in accordance with section 15690,
48 subsection 5, the council shall schedule a referendum
49 on the article.
50 Notwithstanding section 1304, subsection 6,

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

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

22 **§15672. Definitions**

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

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

30 **1-A. Adjusted total cost of components of essential**
32 **programs and services.** "Adjusted total cost of the components of
34 essential programs and services" means the total cost of the
36 components of essential programs and services adjusted to reflect
 the application of the transition targets to the base total
 component as specified in section 15671, subsection 7, paragraph
 A.

38 **1-B. Base year.** "Base year" means the 2nd year prior to
40 the allocation year.

42 **1-C. Bus purchase costs.** "Bus purchase costs" includes
44 expenditures for bus purchases approved by the commissioner and
 made during the year prior to the allocation year.

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

50 **2-A. Debt service costs.** "Debt service costs," for subsidy
 purposes, includes:

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

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

20 (1) Administrative space. A school administrative
22 unit may lease administrative space with state support
24 until July 1, 2003. A school administrative unit
26 engaged in a lease-purchase agreement for
 administrative space is eligible for state support
 until July 1, 2008;

28 (2) Temporary interim nonadministrative space.

30 (a) A school administrative unit with
32 state-approved need for nonadministrative space
34 may lease temporary interim space, with state
36 support, for a maximum of 5 years. A school
38 administrative unit may appeal to the state board
 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:

40 (i) Fiscal capacity;

42 (ii) Enrollment demographics; and

44 (iii) Unforeseen circumstances not within
46 the control of the appealing school
 administrative unit.

48 The state board's decision is final.

2 **(b) A school administrative unit engaged in a**
3 **lease-purchase agreement for temporary interim**
4 **nonadministrative space is eligible for state**
5 **support for a maximum of 10 years; and**

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

15 **The department shall adopt rules necessary to implement this**
16 **paragraph. Rules adopted by the department to implement**
17 **this paragraph are major substantive rules pursuant to Title**
18 **5, chapter 375, subchapter 2-A;**

19 **C. The portion of the tuition costs applicable to the**
20 **insured value factor for the base year computed under**
21 **section 5806; and**

22 **D. The cost of construction or purchase of portable,**
23 **temporary classroom space as approved by the commissioner**
24 **beginning January 1, 1988. For the purposes of this**
25 **section, "portable, temporary classroom space" means a**
26 **project consisting of one or more mobile or modular**
27 **buildings that are at least partially constructed off site**
28 **and are designed to be moved to other sites with a minimum**
29 **of disassembly and reassembly. "Portable, temporary**
30 **classroom space" includes, but is not limited to, space for**
31 **regular classrooms, small group instruction, libraries,**
32 **clinics and guidance and administrative office space,**
33 **including principal and superintendent offices. The**
34 **department shall adopt rules for approving the purchase,**
35 **construction or lease-purchase of portable, temporary**
36 **classroom space and for determining the amount includable**
37 **for subsidy purposes. Lease-purchase agreements may not**
38 **exceed a term of 10 years. Approved costs are those for**
39 **the year prior to the allocation year. The department shall**
40 **adopt rules necessary to implement this paragraph. Rules**
41 **adopted by the department to implement this paragraph are**
42 **major substantive rules pursuant to Title 5, chapter 375,**
43 **subchapter 2-A.**

44 **3. Economically disadvantaged students. "Economically**
45 **disadvantaged students" means students who are included in the**

department's count of students who are eligible for free or reduced-price meals or free milk or both.

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

5. Elementary free or reduced-price meals percentage. "Elementary free or reduced-price meals percentage" means the percentage, as determined by the commissioner, that reflects either:

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

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

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

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

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

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

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

2 **9-A. Gifted and talented costs.** "Gifted and talented
costs" means the cost of programs for gifted and talented
4 students that have been approved by the commissioner.

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

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

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

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

18 **13-A. Institutional resident.** "Institutional resident"
20 means a person between 5 years of age and 20 years of age who is
attending a public school of the school administrative unit and
22 who is committed or otherwise legally admitted to and residing at
a state-operated institution. "Institutional resident" does not
24 include students attending private facilities, regardless of the
means of placement.

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

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

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

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

46 **18. Limited English proficiency student.** "Limited English
48 proficiency student" means a student who was not born in the
United States or whose native language is a language other than
50 English and who satisfies the definition of a limited English

2 proficient student under the federal No Child Left Behind Act of
2001, 20 United States Code, Chapter 70.

4 18-A. Major capital costs. "Major capital costs" means
6 costs relating to school construction projects, as defined in
section 15901.

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

14 **20. Middle school level.** "Middle school level" means grade
16 6 to grade 8.

18 20-A. Minor capital costs. "Minor capital costs" means
costs relating to plant maintenance, minor remodeling, site
20 development or the purchase of land not in conjunction with a
construction project.

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

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

30 C. Purchase of land made in accordance with this subsection
32 must be approved:

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

36 (2) By the commissioner, under rules adopted for this
38 purpose.

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

42 21-A. Other subsidizable costs. "Other subsidizable costs"
44 means those costs identified in section 15681-A. These costs are
part of the total operating allocation under section 15683.

46 21-B. Portable, temporary classroom space. "Portable,
48 temporary classroom space" means one or more mobile or modular
buildings that are at least partially constructed off site and
50 that are designed to be moved to other sites with a minimum of
disassembly and reassembly.

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

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

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

10 ~~C.---Designated-costs-for-substitute-teachers;-and~~

12 ~~D.---Identified-nonstaffing-costs.~~

14 **22-A. Predicted per-pupil transportation costs.** "Predicted
16 per-pupil transportation costs" means the predicted
transportation costs for a school administrative unit based on
18 the number of resident pupils, the number of miles of Class 1 to
Class 5 roads in the school administrative unit and approved
20 adjustments. Approved adjustments include a per mile rate equal
22 to the state average gross transportation operating costs per
mile driven for transportation associated with out-of-district
24 special education programs, up to 2 round trips per day for
vocational education programs, and adjustments for expenditures
26 for ferry services within a school administrative unit,
transportation of homeless children in accordance with section
28 5205 and transportation costs of island school administrative
units.

30 **23. Property fiscal capacity.** "Property fiscal capacity"
means the certified state valuation amount for the year prior to
32 the most recently certified state valuation.

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

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

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

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

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

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

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

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

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

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

C. The following preschool handicapped services:

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

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

D. Special education costs that are the costs of educational services provided to students who are temporarily unable to participate in regular school programs. Students who may be included are pregnant students, hospitalized students or those confined to their homes for illness or injury, students involved in substance abuse programs within hospital settings or in residential rehabilitation facilities licensed by the Department of Health and Human Services, Office of Alcoholism and Drug

Abuse Prevention for less than 6 weeks duration or students suffering from other temporary conditions that prohibit their attendance at school. Students served under this paragraph may not be counted as exceptional students for federal reporting purposes.

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

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

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

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

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

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

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

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

A. The total operating allocation under section 15683;

B. Debt service cost; and

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

(1) Tuition and board for pupils placed directly by the State in accordance with rules adopted or amended 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
12 and who are educated at public expense at a public school or at a
 private school approved for tuition purposes.

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

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

22 A. Community service costs;

24 B. Major capital costs;

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

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

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

34 **32-B. Total cost of components of essential programs and**
36 **services.** "Total cost of the components of essential programs
 and services" means the total of the following components:

38 A. The base total determined pursuant to section 15683,
40 subsection 1;

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

44 C. Debt service costs;

46 D. Adjustments determined pursuant to section 15689; and

48 E. Miscellaneous costs appropriated pursuant to section
 15689-A.

2 32-C. Transportation operating costs. "Transportation
operating costs" means all costs incurred in the transportation
4 of pupils in kindergarten to grade 12, including lease costs for
bus garage and maintenance facilities and lease-purchase costs
6 that the school administrative unit may apply to the purchase of
bus garage and maintenance facilities, when the leases and
8 lease-purchase agreements have been approved by the commissioner,
but excluding the costs of bus purchases and excluding all costs
10 not associated with transporting students from home to school and
back home each day. The amount includable for determining the
12 subsidy for a school administrative unit for lease-purchase of
bus garage and maintenance facilities may not exceed the amount
14 for the lease of a comparable facility.

16 32-D. Vocational education costs. "Vocational education
costs" for subsidy purposes means all costs incurred by the
18 vocational regions, centers or satellites in providing approved
secondary school vocational education programs, excluding
20 transportation, capital costs and debt service.

22 32-E. Year. "Year" means a fiscal year starting July 1st
and ending June 30th of the succeeding year.

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

28 Sec. A-37. 20-A MRSA §15673, as repealed and replaced by PL
30 2003, c. 712, §13, is repealed.

32 Sec. A-38. 20-A MRSA §15675, sub-§1, as enacted by PL 2003, c.
34 504, Pt. A, §6, is amended to read:

36 1. Limited English proficiency students. The additional
weights for school administrative units with limited English
38 proficiency students are as follows:

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

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

46 C. For a school administrative unit with 251 or more limited
48 English proficiency students, the unit receives an
additional weight of .60 per student.
50

2 Eligibility for state funds under this subsection is limited to
3 school administrative units that are providing services to
4 limited English proficient students through programs approved by
5 the department.

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

8 **§15676. EPS per-pupil rate**

10 For each school administrative unit, the commissioner shall
12 calculate the unit's per-pupil-guarantee EPS per-pupil rate for
13 each year as the sum of:

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

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

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

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

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

37 **§15676-A. EPS per-pupil rate for units that do not operate**
38 **schools**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 **§15681-A. Other subsidizable costs**

24 The following are other subsidizable costs:

26 1. Bus purchases. Bus purchase costs:

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

46 A. For lower staff-student ratios and expenditures for
48 related services for school administrative units with fewer
50 than 20 special education students identified on the annual
 December 1st child count as required by the federal

Individuals with Disabilities Education Act for the most recent year;

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

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

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

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

3. Transportation costs. For fiscal year 2005-06, the commissioner, using information provided by a statewide education policy research institute, shall establish a per-pupil transportation cost for each school administrative unit based on an analysis of the most recent year's reported transportation expenditures and a predicted per-pupil transportation cost based on the number of resident pupils, the number of miles of Class 1 to Class 5 roads in the school administrative unit and any approved adjustments. In fiscal year 2005-06 the established per-pupil transportation cost for each school administrative unit is the most recent year's reported transportation expenditures or predicted per-pupil transportation cost, plus 10%, whichever is lower. Beginning in fiscal year 2006-07, and for each subsequent fiscal year, the per-pupil transportation costs for each school administrative unit are its established costs for the most recent year adjusted by the Consumer Price Index or other comparable index. For fiscal years 2005-06 and 2006-07, in no case may the per-pupil transportation costs for a school administrative unit be less than 75% of the established costs for the most recent fiscal year. Every 3 years, the commissioner, using information provided by a statewide education policy research institute, shall examine and may adjust reported transportation expenditures and predicted transportation costs. The commissioner shall

2 develop an appeals procedure for established per-pupil
3 transportation costs for school administrative units;

4 4. Vocational education costs. Vocational education costs
5 in the base year adjusted to the year prior to the allocation
6 year; and

8 5. Gifted and talented education costs. Gifted and
9 talented costs in the base year adjusted to the year prior to the
10 allocation year.

12 **Sec. A-45. 20-A MRSA §15682**, as enacted by IB 2003, c. 2,
13 §1, is repealed.

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

18 **§15682. Regional adjustment**

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

36 **Sec. A-47. 20-A MRSA §15683**, as amended by PL 2003, c. 712,
37 §14, is further amended to read:

38 **§15683. Total operating allocation**

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

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

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

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

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

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

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

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

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

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

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

36 (1) The product of the elementary school level and
38 middle school level per-pupil amount for targeted
student assessment funds calculated pursuant to section
40 15681, subsection 2 multiplied by the kindergarten to
grade 8 portion of the pupil count calculated pursuant
42 to section 15674, subsection 1, paragraph C,
subparagraph (1); and

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

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

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

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

22 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
24 EPS per-pupil rate multiplied by the additional weight for
kindergarten to grade 2 calculated pursuant to section
26 15675, subsection 3, ; and

28 F. An isolated small unit adjustment. A school
30 administrative unit is eligible for an isolated small school
32 adjustment when the unit meets the size and distance
34 criteria as established by the commissioner and approved by
36 the state board. The amount of the adjustment is the result
38 of adjusting the necessary student-to-staff ratios
determined in section 15679, subsection 2, the per-pupil
amount for operation and maintenance of plant in section
15680, subsection 1, paragraph B or other essential programs
and services components in chapter 605-B, as recommended by
the commissioner.

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

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

50

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

4
6 ~~C.--The amount calculated pursuant to paragraph B must be~~
multiplied--by--the--essential--programs--and--services--transition
percentage--for--the--appropriate--year--in--accordance--with
8 section 15671, subsection 7, paragraph A.

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

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

14 **§15683-A. Total debt service allocation**

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

20 **Sec. A-50. 20-A MRSA §15684**, as enacted by PL 2003, c. 712,
22 §15 and IB 2003, c. 2, §1, is repealed.

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

26 **Sec. A-52. 20-A MRSA §15686**, as amended by PL 2003, c. 712,
28 §16, is further amended to read:

30 **§15686. Transition adjustment**

32 For each of the fiscal years described in section 15671,
34 subsection 7, the commissioner shall establish a transition
adjustment calculated to minimize the adverse fiscal impact that
36 may be experienced by some municipalities as a result of the
phase-in of this Act. The transition adjustment for a
municipality must be directly related to the phase-in of
38 essential programs and services and the local cost share
expectation method under section 15671-A of determining the local
40 contribution to the cost of funding essential programs and
services. The amount of this adjustment must decline with each
42 successive fiscal year, and the adjustments must end no later
than fiscal year 2009-10 2006-07.

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

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

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

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

48 **Sec. A-53. 20-A MRSA §15688, sub-§1, ¶¶A to C, as enacted by PL**
50 **2003, c. 712, §17, are amended to read:**

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

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

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

70 **Sec. A-54. 20-A MRSA §15688, sub-§2, as enacted by PL 2003, c.**
72 **712, §17, is amended to read:**

74 **2. Member municipalities in school administrative districts**
76 **or community school districts; total costs.** For each
78 municipality that is a member of a school administrative district
80 or community school district, the commissioner shall annually
determine each municipality's total cost of education. A
municipality's total cost of education is the school

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 **Sec. A-58. 20-A MRSA §15689, sub-§1**, as enacted by PL 2003, c.
23 712, §17, is repealed and the following enacted in its place:

24 **1. Minimum state allocation.** Each school administrative
25 unit must be guaranteed a minimum state share of its total
26 allocation that is an amount equal to the greater of the
27 following:

28 A. The sum of the following calculations:

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

35 (2) Multiplying 5% of each school administrative
36 unit's essential programs and services per-pupil
37 secondary rate by the average number of resident grade
38 9 to grade 12 pupils as determined under section 15674,
39 subsection 1, paragraph C, subparagraph (1); and

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

2 (1) In fiscal year 2005-06, 84%; and

4 (2) In fiscal year 2006-07, 100%.

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

10 **Sec. A-59. 20-A MRSA §15689, sub-§3,** as enacted by PL 2003, c.
12 712, §17, is amended to read:

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

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

20 **4. Audit adjustments.** The following provisions apply to
22 audit adjustments.

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

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

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

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

46 B. The rate of reimbursement per student may not exceed the
48 state average tuition rates in effect during the year of
 placement as computed under sections 5804 and 5805. The
 tuition rates must be computed based on the state average

2 secondary tuition rate and may be adjusted if the program is
3 approved to operate beyond the 180-day school year.

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

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

12 **§15689-A. Authorization of payment of miscellaneous costs**

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

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

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

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

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

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

41 3. Essential programs and services components contract.
42 The commissioner may contract for the updating of the essential

2 programs and services component with a statewide education
3 research institute.

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

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

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

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

24 **§15689-B. Authorization and schedules of payment of state**
25 **subsidy; appeals**

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

32 2. Notification of allocation; commissioner's duty;
33 superintendent's duty. The following provisions apply to
34 notification of allocation by the commissioner and each
35 superintendent.

36
37 A. The commissioner shall annually, prior to February 1st,
38 notify each school board of the estimated amount to be
39 allocated to the school administrative unit.

40
41 B. Each superintendent shall report to the municipal
42 officers whenever the school administrative unit is notified
43 of the allocation or a change is made in the allocation
44 resulting from an adjustment.

46 3. Payments of state subsidy to unit's treasurer; basis.
47 State subsidy payments must be made directly to the treasurer of
48 each school administrative unit. The payments must be based on
49 audited financial reports submitted by school administrative
50 units.

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

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

14 **6. Balance of allocations.** Notwithstanding any other law,
general operating fund balances at the end of a school
16 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
18 3 years. Unallocated balances in excess of 3% of the previous
fiscal year's school budget must be used to reduce the state and
20 local share of the total allocation for the purpose of computing
state subsidy. School boards may carry forward unallocated
22 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
24 exceed 3 years.

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

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

40 **§15689-C. Commissioner's recommendation for funding levels;
computations**

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

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

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

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

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

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

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

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

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

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

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

22 **§15689-D. Governor's recommendation for funding levels**

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

26 **§15689-E. Actions by Legislature**

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

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

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

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

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

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

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

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

§15689-F. Actions by department

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

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

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

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

2 **\$15690. Local appropriations**

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

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

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

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

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

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

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

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

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

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

46 2. Non-state-funded debt service. For each school
48 administrative unit's contribution to debt service for
50 non-state-funded major capital school construction projects or
 non-state-funded portions of major capital school construction
 projects, the legislative body of each school administrative unit
 may vote to raise and appropriate an amount up to the

2 municipality's or district's annual payments for non-state-funded
3 debt service.

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

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

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

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

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

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

42 (2) The following statement must accompany the article
43 in subparagraph (1). "Explanation: The additional
44 local funds are those locally raised funds over and
45 above the school administrative unit's local
46 contribution to the total cost of funding public

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

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

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

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

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

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

40 A. "Article: To see what sum the (municipality or
41 district) will authorize the school committee to expend for
42 the fiscal year beginning (July 1,) and ending (June
43 30,) from the school administrative unit's contribution
44 to the total cost of funding public education from
45 kindergarten to grade 12 as described in the Essential

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

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

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

14 **§15691. Municipal assessment paid to district**

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

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

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

33 **§15692. Special school districts**

34 1. School administrative unit. For the purposes of section
35 15695 and Title 20, sections 3457 to 3460, a special school
36 district is deemed to be a school administrative unit.

37 2. Debt service. Debt service on bonds or notes issued by a
38 special school district must be included in the school budget of
39 the school administrative unit that operates the schools
40 constructed by that district. The school board for the school
41 administrative unit that operates the special district's schools
42 shall pay to the special school district all sums necessary to

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

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

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

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

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

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

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

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

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

34 C. Notwithstanding any municipal charter provision,
35 ordinance or other law to the contrary, if the level of
36 state subsidy for the next school year is not finalized in
37 accordance with this chapter before June 1st, the school
38 board may delay a school budget meeting otherwise required
39 to be held before July 1st to a date after July 1st. If a
40 school board elects to delay a school budget meeting under
41 this paragraph, the meeting must be held and the budget
42 approved within 30 days of the date the commissioner
43 notifies the school board of the amount allocated to the
44 school administrative unit under section 15689-B. When a
45 school administrative unit under section 15689-B. When a
46 school administrative unit under section 15689-B. When a
47 school administrative unit under section 15689-B. When a
48 school administrative unit under section 15689-B. When a
49 school administrative unit under section 15689-B. When a
50 school administrative unit under section 15689-B. When a

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

8 **3. Budget format.** The following provisions apply to a
9 budget format.

10
11 A. Except as provided in subsection 4, the budget format is
12 that prescribed by a majority of the school board until an
13 article prescribing the school budget format is approved by
14 a majority of voters in an election in which the total vote
15 is at least 20% of the number of votes cast in the
16 municipality in the last gubernatorial election, or 200,
17 whichever is less.

18
19 B. The format of the school budget may be determined in
20 accordance with section 1306.

21
22 C. It is the intent of the Legislature that a school board
23 shall attempt to obtain public participation in the
24 development of the school budget format.

25
26 **4. Budget format; town or city charter.** In a municipality
27 where the responsibility for final adoption of the school budget
28 is vested by municipal charter in a council, the school budget
29 format may be changed through amendment of the charter under the
30 home rule procedures of Title 30-A, chapter 111, except that the
31 amendment must be approved by a majority of voters in an election
32 in which the total vote is at least 20% of the number of votes
33 cast in the municipality in the last gubernatorial election.

34
35 **5. Budget format; town meeting.** When the final budget
36 authority is vested in a town meeting operating under the general
37 enabling procedures of Title 30-A, the format of the school
38 budget may be determined by the town meeting or under the
39 procedures of Title 30-A, section 2522 or 2528.

40
41 **6. Budget format; community school district.** The following
42 provisions apply to the budget format of a community school
43 district.

44
45 A. An article containing the district's proposed budget
46 format must be placed on the next warrant issued or ballot
47 printed if:

48
49 (1) A majority of the district school committee votes
50 to place it on the warrant or ballot; or

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

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

12 C. The district school committee shall:

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

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

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

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

32 **§15694. Actions on budget**

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

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

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

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

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

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

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

21 C. In a municipality, the meeting must be called by the
22 municipal officers:

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

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

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

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

2 **§15695. Bonds; notes; other**

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

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

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

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

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

34 **CHAPTER 608**

36 **SCHOOL FINANCE ACT OF 2003**

38 **§15751. Short title**

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

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

46 In accordance with the phase-in schedule provided in chapter
48 606-B, beginning in fiscal year 2006-07, the Legislature each
 year shall provide at least 55% of the cost of the total
 allocation for kindergarten to grade 12 education from General
 Fund revenue sources.

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

§15753. Mandated legislative appropriations for special education

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

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

§15754. Fund for the Efficient Delivery of Educational Services

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

1. Source of funds; purpose. Funds for appropriations under this section must be appropriated in addition to the total amount annually appropriated for general purpose aid for local schools and must be placed into a single account. For fiscal year 2005-06 and fiscal year 2006-07, an amount calculated to be not greater than 2% of the total amount annually appropriated for

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

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

17 A. In fiscal year 2005-06, an amount equivalent to 0.83% of
18 the total amount appropriated for general purpose aid for
19 local schools; and

20 B. In fiscal year 2006-07, an amount equivalent to 2% of
21 the total amount appropriated for general purpose aid for
22 local schools.

23 Any balance remaining in the fund at the end of any fiscal year
24 does not lapse and must be carried forward for the next fiscal
25 year.

26 **2. Administration; plan for implementation of the fund.**
27 The department shall administer the fund or may contract for
28 services for administration of the fund. The commissioner, in
29 consultation with the Executive Department, State Planning Office
30 and the other agencies, organizations and individuals determined
31 appropriate by the commissioner, shall establish an
32 implementation plan for the fund that includes, but is not
33 limited to, the following:

34 A. The establishment of criteria through which school
35 administrative units and municipalities may demonstrate
36 significant and sustainable savings in the cost of
37 delivering educational services and improved student
38 achievement through changes in governance, administrative
39 structure or adopted policy that result in the creation of
40 consolidated school administrative units, broad-based
41 purchasing alliances, enhanced regional delivery of
42 educational services or collaborative school-municipal
43 service delivery or service support systems;

2 B. Pursuant to criteria established in accordance with this
4 section, a school administrative unit or municipality may
6 apply to the commissioner for a distribution from the fund
8 during the period beginning with the start of fiscal year
10 2005-06 and ending prior to the end of fiscal year 2006-07;
12 and

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

20 **§15755. Entitlement**

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

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

30 E. Identify best management practices and make this
32 information available to the public, including, but not
34 limited to, best management practices that facilitate
36 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;

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

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

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

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

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

48 **Sec. A-66. Fund for the Efficient Delivery of Educational Services;**
50 **implementation plan.** The Commissioner of Education shall submit a
proposed plan to govern the design, implementation, management
and oversight of the Fund for the

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

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

**Sec. A-68. Sharing of total costs in school administrative districts and
community school districts; Department of Education review.**
Notwithstanding the Maine Revised Statutes, Title 20-A, section
15688, subsection 2 and to ensure that member municipalities of
school administrative districts and community school districts
whose cost-sharing formulas were established in accordance with
Title 20-A, sections 1301 and 1704, respectively, do not
experience significant adverse effects as a result of the
cost-sharing mechanism established pursuant to Title 20-A,
section 15688, subsection 2, the Department of Education shall
conduct a review and analysis, for each school administrative
unit, of the implications of this proposed cost-sharing mechanism
on the member municipalities of these school administrative
districts and community school districts. The Department of
Education shall assist the member municipalities of these school
districts in developing transition plans that include a phase-in
to achieve the new method of determining member municipalities'
local cost of education in accordance with Title 20-A, section
15688, subsection 2 no later than fiscal year 2008-09. The
Department of Education shall report the findings of this review,
including any recommended legislation, to the Joint Standing
Committee on Education and Cultural Affairs by March 31, 2005.
The Joint Standing Committee on Education and Cultural Affairs is
authorized to introduce a bill related to the Department of
Education report to the First Regular Session of the 122nd
Legislature.

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

18
20 **Sec. A-70. Criteria for isolated small school adjustment;
rulemaking.** For fiscal year 2005-06 and pursuant to the Maine
Revised Statutes, Title 20-A, section 15683, subsection 1,
22 paragraph F, the Commissioner of Education shall use the proposed
model that was approved by the State Board of Education during
24 its December 2004 meeting to determine the school administrative
units that qualify for the adjustment for isolated small schools,
26 except that the commissioner shall use the following criterion
change for isolated small elementary schools: for elementary
28 schools, the distance from the nearest school is reduced from 10
to 8 miles. The commissioner shall develop provisionally adopted
30 rules that establish the qualifications for the adjustment for
isolated small schools in accordance with Title 20-A, section
32 15687 no later than December 2, 2005 so that the Legislature may
consider these criteria during the Second Regular Session of the
34 122nd Legislature.

36 **Sec. A-71. Transition adjustment for fiscal year 2006-07.** To
minimize the adverse fiscal impact that may be experienced by
38 some school administrative units as a result of the phase-in of
the Essential Programs and Services Funding Act, the Commissioner
40 of Education shall facilitate a review and analysis of the need
for a transition adjustment in fiscal year 2006-07. The
42 Commissioner of Education, no later than January 13, 2006, shall
make a recommendation to the Joint Standing Committee on
44 Education and Cultural Affairs regarding the eligibility
requirements and funding levels necessary for a transition
46 adjustment in fiscal year 2006-07. The recommendations of the
Commissioner of Education must be consistent with the provisions
48 of the Maine Revised Statutes, Title 20-A, section 15686.

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

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

PART B

Sec. B-1. 36 MRSA §1752, sub-§1-H is enacted to read:

1-H. Amusements. "Amusements" means use of pleasure aircraft, bowling, billiards, sports and recreational activities, basic cable television services, basic satellite television services, theaters, entertainment, motion pictures, commercial amusements, commercial participant amusements, sightseeing, spectator sports, arcades, taxidermy and swimming pool installation, repair, cleaning and maintenance.

Sec. B-2. 36 MRSA §1752, sub-§17-B, as enacted by PL 2003, c. 673, Pt. V, §19 and affected by §29, is amended to read:

17-B. Taxable service. "Taxable service" means the rental of living quarters in a hotel, rooming house, or tourist or trailer camp; the transmission and distribution of electricity; the rental or lease of an automobile; amusements; and the sale of prepaid calling service.

Sec. B-3. 36 MRSA §1811, first ¶, as amended by PL 2001, c. 439, Pt. TTTT, §2 and affected by §3, is further amended to read:

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; 7% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; 7% on the value of the rental for recreational purposes of boat moorings and docks; 10% on the value of rental for a period of less than one year of an automobile; 7% on the value of prepared food; and 5% 5 1/2% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

Sec. B-4. Effective date. This Part takes effect March 1, 2006.

2

4

PART C

6 **Sec. C-1. Statutory referendum procedure; submission at statewide**
7 **election; form of question; effective date.** This Act must be submitted
8 to the legal voters of the State at a statewide election held on
9 the Tuesday following the first Monday of November following
10 passage of this Act. The municipal officers of this State shall
11 notify the inhabitants of their respective cities, towns and
12 plantations to meet, in the manner prescribed by law for holding
13 a statewide election, to vote on the acceptance or rejection of
14 this Act by voting on the following question:

16 "Do you favor increasing to 55% the state share of the cost
17 of essential education programs and services beginning in
18 state fiscal year 2006-07 and paying for this increase by
19 increasing the sales tax to 5 1/2% beginning May 1, 2006,
20 extending the sales tax to amusements and taxing the rental
21 for recreational purposes of boat moorings and docks at 7%?"

22 The legal voters of each city, town and plantation shall
23 vote by ballot on this question and designate their choice by a
24 cross or check mark placed within a corresponding square below
25 the word "Yes" or "No." The ballots must be received, sorted,
26 counted and declared in open ward, town and plantation meetings
27 and returns made to the Secretary of State in the same manner as
28 votes for members of the Legislature. The Governor shall review
29 the returns and, if it appears that a majority of the legal votes
30 are cast in favor of the Act, the Governor shall proclaim that
31 fact without delay, and the Act takes effect 30 days after the
32 date of the proclamation.

34 The Secretary of State shall prepare and furnish to each
35 city, town and plantation all ballots, returns and copies of this
36 Act necessary to carry out the purposes of this referendum.

38

40 **PART D**

42 **Sec. D-1. Appropriations and allocations.** The following
43 appropriations and allocations are made.

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

46 **Maine Revenue Services 0002**

48

2 Initiative: Provides funds for the administrative costs
associated with the establishment of an amusements tax including
4 funds for one Taxpayer Assistant Specialist position effective
March 1, 2006 and 3 Revenue Agent positions effective January 1,
2007.

6	GENERAL FUND	2005-06	2006-07
8	POSITIONS - LEGISLATIVE COUNT	1.000	4.000
	Personal Services	\$14,663	\$172,985
10	All Other	\$150,000	\$0
12	GENERAL FUND TOTAL	\$164,663	\$172,985

14	ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF DEPARTMENT TOTALS	2005-06	2006-07
18	GENERAL FUND	\$164,663	\$172,985
20	DEPARTMENT TOTAL - ALL FUNDS	\$164,663	\$172,985

24 EDUCATION, DEPARTMENT OF

26 General Purpose Aid for Local Schools 0308

28 Initiative: Provides additional funds needed to increase the
State's share of the total cost of K-12 public education based on
30 the essential programs and services model to 55% by fiscal year
2006-07.

32	GENERAL FUND	2005-06	2006-07
34	All Other	\$0	\$90,205,242
36	GENERAL FUND TOTAL	\$0	\$90,205,242

38 General Purpose Aid for Local Schools 0308

40 Initiative: Appropriates funds in fiscal year 2005-06 in order
to provide additional subsidy to local school units and
42 deappropriates funds in fiscal year 2006-07 due to revised
projections of the amount of subsidy required to fund the State's
44 share of the cost of essential programs and services.

46	GENERAL FUND	2005-06	2006-07
48	All Other	\$6,463,417	(\$5,963,417)
50	GENERAL FUND TOTAL	\$6,463,417	(\$5,963,417)

General Purpose Aid for Local Schools 0308

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

GENERAL FUND	2005-06	2006-07
All Other	\$6,962,382	\$19,929,786
GENERAL FUND TOTAL	<u>\$6,962,382</u>	<u>\$19,929,786</u>

Fund for the Efficient Delivery of Educational Services

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

OTHER SPECIAL REVENUE FUNDS	2005-06	2006-07
All Other	\$6,962,382	\$19,929,786
OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$6,962,382</u>	<u>\$19,929,786</u>

EDUCATION, DEPARTMENT OF	2005-06	2006-07
DEPARTMENT TOTALS		

GENERAL FUND	\$13,425,799	\$104,171,611
OTHER SPECIAL REVENUE FUNDS	\$6,962,382	\$19,929,786
DEPARTMENT TOTAL - ALL FUNDS	<u>\$20,388,181</u>	<u>\$124,101,397</u>

GENERAL FUND	\$0	\$0
DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$0</u>

SECTION TOTALS	2005-06	2006-07
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GENERAL FUND	\$13,590,462	\$104,344,596
OTHER SPECIAL REVENUE FUNDS	\$6,962,382	\$19,929,786
SECTION TOTAL - ALL FUNDS	<u>\$20,552,844</u>	<u>\$124,274,382</u>

SUMMARY

2

4 Part A of this bill requires the State to pay 55% of the
cost of funding essential education programs and services
beginning in state fiscal year 2006-07.

6

8 Part B pays for increased state education funding by
extending the general sales tax to amusements, extending the 7%
sales tax to include rentals of boat moorings and docks and
10 increasing the general sales tax to 5 1/2% beginning May 1, 2006.

12 Part C provides that this Act is subject to approval of the
voters at a statewide referendum in November 2005.

14

16 Part D provides an appropriations and allocations section to
implement this Act.

AL NOTE REQUIRED
(See attached)

**122nd MAINE LEGISLATURE****LD (not known)****LR 2170(01)****An Act to Provide a Schedule of School Funding that Provides 55% State Coverage of the Cost of EPS
Over a Period of 2 Years****Fiscal Note for Original Bill****Sponsor: Submitted by the Joint Select Committee on Property Tax Reform pursuant to Joint Order
2005, H.P. 108.****Fiscal Note Required: Yes****Fiscal Note**

Contingent on voter approval at a statewide referendum in November 2005

	2005-06	2006-07	Projections 2007-08	Projections 2008-09
Net Cost (Savings)				
General Fund	(\$16,092,328)	\$11,336,133	(\$30,485,770)	(\$79,826,553)
Appropriations/Allocations				
General Fund	\$13,590,462	\$104,344,596	\$66,248,807	\$20,924,700
Other Special Revenue Funds	\$6,962,382	\$19,929,786	\$20,433,652	\$20,730,626
Revenue				
General Fund	\$29,682,790	\$93,008,463	\$96,734,577	\$100,751,253
Other Special Revenue Funds	\$1,630,699	\$5,134,661	\$5,339,047	\$5,559,371

Referendum Costs**Month/Year**
Nov-05**Election Type**
General**Question**
Referendum**Length**
Standard

The Secretary of State's budget includes sufficient funds to accommodate one ballot of average length for the general election in November. If the number or size of the referendum questions increases the ballot length, an additional appropriation of \$8,000 or more may be required.

Fiscal Detail and Notes

General Fund Summary - Costs (Savings)	2005-06	2006-07	2007-08	2008-09
Additional approp needed to fund EPS in bill above Governor's Current Services Budget Proposal for the 2006-2007 Biennium ¹	\$6,463,417	\$84,241,825	\$45,632,067	\$0

Additional approp needed to fund Efficient Delivery of Educational Services Fund ²	\$6,962,382	\$19,929,786	\$20,433,652	\$20,730,626
Sales Tax to 5.5% March 1, 2006	(\$22,786,435)	(\$71,246,466)	(\$74,299,500)	(\$77,595,696)
Amusement/Recreation Tax @ 5.5%	(\$6,850,801)	(\$21,168,840)	(\$21,841,920)	(\$22,562,400)
Sales Tax on Mooring/Docking Fees @ 7%	(\$45,554)	(\$593,157)	(\$593,157)	(\$593,157)
Maine Revenue Services Administrative Costs	\$164,663	\$172,985	\$183,088	\$194,074
Net General Fund Cost (Savings)	(\$16,092,328)	\$11,336,133	(\$30,485,770)	(\$79,826,553)

¹ Amount of additional General Fund appropriation required is a function of funding EPS model as in LD 1 vs. what is included in the Governor's Proposed Current Services Budget for the 2006-2007 Biennium. It does not reflect the impact of IB 2003, Chapter 2, approved by the voters on June 8, 2004, which becomes operative in January of 2005, barring legislative action.

² Establishes the Fund for the Efficient Delivery of Educational Services as a dedicated fund within the Department of Education that was approved by the voter's in IB 2003, c. 2. However, this bill differs from IB 2003, c. 2 in that it proposes to phase-in the requirement that 2% of the annual state appropriation for education be dedicated to providing incentive-based resources to those local school units or municipalities that develop sustainable cost savings in the delivery of educational services. It also allows for the funds to be used for transition adjustments in fiscal year 2005-06 only in order to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of the Essential Programs and Services model.

Local Government Fund Impact	2005-06	2006-07	2007-08	2008-09
Revenue increase - Sales to 5.5%	\$ 1,249,889	\$ 3,908,034	\$ 4,075,500	\$ 4,256,304
Revenue increase - Amusement Tax @ 5.5%	\$ 375,782	\$ 1,161,160	\$ 1,198,080	\$ 1,237,600
Revenue increase - Mooring/Docking @ 7%	\$ 2,630	\$ 34,248	\$ 34,248	\$ 34,248
Net Change	\$ 1,628,301	\$ 5,103,442	\$ 5,307,828	\$ 5,528,152

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