

# MAINE STATE LEGISLATURE

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



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

March 20, 1979

Senator Richard H. Pierce  
Chairman  
Legislative Council  
State House  
Augusta, Maine 04333

Dear Senator Pierce:

In accordance with P.L. Chapter 711, establishing the Interim Education Finance Commission, I enclose herein the final report of the commission and a copy of the legislation required to implement its recommendations.

Respectfully submitted,

*William Kirk*

William Kirk  
Chairman

WK:BC/lk  
Enclosure

Summary of the recommendations of the Education Finance Commission.

1. We recommend that the current School Finance Act should be retained in substantially its present form for at least one more year before further fundamental revisions are undertaken.

2. We recommend that the data collection system created by the 1977 N.C.S.L. study of the school finance law should be supplemented with additional items needed by the Legislature and the department, and should be transferred to a site within the State for continued use as a research source.

3. We recommend that accurate personal and corporate income data should be collected for each community as soon as practicable for possible use in the school financing formulas. This information should be part of the N.C.S.L. data base

4. We recommend that the law should be clarified to encourage a better understanding of the level of State funding in each of the categorical programs of school aid. Similarly, the financial information supplied annually by the State to local units should also clearly identify the percentage of State funds received by each unit.

5. We recommend that the method of computing the state allocation for school administrative districts and community school districts should be revised so that no town within a district is required to raise more than its computed portion of the state-local allocation, or the subsidy index amount, whichever is less. The state should provide the funds to make up for revenue lost to districts by the implementation of this recommendation.

6. We recommend that the full costs of the employers' share of teachers' retirement should continue to be paid from General Fund sources. We further recommend, however, that for purposes of providing a more accurate picture of the total costs of education to the Legislature and the Governor, the costs of the employers' share of teachers' retirement should be included as one item in the commissioner's annual report of actual education costs.

7. We recommend that the local leeway provision should be amended so that the state's schedule of payments coincide with the uniform school fiscal year for which the voters approve the use of local leeway.

8. We recommend that the local leeway provision should be amended to identify the amount of the State's participation in local leeway as 40% of the total funds available under this provision and to provide that annual revisions will be made to ensure that this % is maintained.

9. We recommend that the local leeway provision should be amended to require that local units approve any local leeway appropriations no later than 90 days following the final approval of the school budget.

10. We recommend that the district power equalizing (D.P.E.) approach to school finance should continue to be limited to funding the local leeway provision.

11. We recommend that the impact aid provision should be amended so that state payments are computed on the basis of the amount of the unit's entitlement to Federal money in the base year. A provision should be included, however, to protect units which experience a substantial decrease in impact aid funds.

12. We recommend that the local allocation should continue to be computed by using the most recent state valuation. In recent years the state valuation has increased in accuracy and consistency and there is no need to consider using an average of several state valuations in calculating the local allocation.

13. The quality of each child's education should not be primarily determined by whether the child's community has high or low per pupil property valuations. We recommend that the State should fund at least 55% of the basic cost of education and should never fund at a percentage lower than the prior year's percentage.

14. The dependence on the local property tax to finance schools should be lessened. The Legislature should immediately investigate alternate sources of funding, including whether to either decrease the amount of property currently exempt from the local property tax or to expand current laws enabling municipalities to charge owners of tax exempt property a user fee for services.

Two different minorities of the commission made the following recommendations:

1. We recommend that the costs of crossing guards should be included as a part of transportation costs and should be reimbursed accordingly. Reimbursements should be limited to 50% of the expenditures during the base year.

2. We recommend that the local allocation should be computed by using the average of the three most recent state valuations.



THE REPORT OF  
THE INTERIM EDUCATION FINANCE COMMISSION  
FEBRUARY, 1979

---

*"A general diffusion of the advantages of education being essential to the preservation of the rights and liberties of the people; to promote this important object, the Legislature are authorized and it shall be their duty to require, the several towns to make suitable provision, at their own expense, for the support and maintenance of public schools ...."*

*- State of Maine  
Constitution*

---

THE EVOLUTION  
OF SCHOOL FINANCE  
IN MAINE

MEMBERS OF THE COMMISSION

William Kirk, Chairman

Rep. Elizabeth Mitchell, Vice-Chairman

Michael Austin

Jack Dexter

Robert Fiske

James Halkett

Joseph Kinney

John Marvin

Caroline Morris

Jeanine Pelletier

Sen. Richard Pierce

Rep. Bonnie Post

Robert Reny

John Skehan

Sen. J. Hollis Wyman

\* John Melrose

\* Replaced Mr. Dexter

### ACKNOWLEDGEMENTS

We would like to acknowledge the assistance of the many individuals who have assisted during the course of our study. From the Department of Educational and Cultural Services we would like to thank especially Commissioner Sawin Millett, former Deputy Commissioner Jerry Vickerson, Lucille Johnson and Ray Cook. Ray Halperin, State Tax Assessor and Norman Ledew, Director of the Division of Property Taxation were particularly helpful in our examination of the State valuation. Bill Blodgett, Director of the State Retirement System, Asa Gordon, former Deputy Commissioner of Education, and Michael Healy, representing the Maine Tax Limitation Committee offered very helpful presentations to the commission. Finally, we would like to thank Dr. John Callahan of the National Conference of State Legislatures, Robert Lang, Director of Wisconsin's Legislative Fiscal Bureau, Dale Dennis, Deputy Commissioner of the Kansas Department of Education and Dr. Cynthia Ward of the Rhode Island Department of Education for their assistance in the commission's consideration of the use of income information in school finance laws.

## I. INTRODUCTION

The Interim Education Finance Commission has examined the Maine system of financing education. Our agenda was dictated by the legislation creating the commission:

"Sec. 4. Duties. The commission shall:

1. Current education finance law. Review the current education finance law to assess the effect of the repeal of the uniform property tax and the changes made during the Second Regular Session of the Legislature and to identify further needed changes;
2. Other methods of financing public education. Review methods of financing public education in other states for the purposes of providing an alternative to the existing finance law;
3. Financing teacher retirement costs. Evaluate alternative methods of financing teacher retirement costs;
4. Costs sharing methods. Review methods of sharing costs in school districts;
5. Alternative tax sources. Evaluate the use of alternative tax sources, including, but not limited to, the use of a capital gains tax on the sale of property and local income taxes; and
6. Other studies and evaluations. Make any other studies and evaluations necessary to fully assess the existing law and prepare amendments or an alternative to it which would assure the state of the soundest possible method of financing education."

The commission has carried out these duties through meetings on a bi-weekly basis since May 17. In addition to these meetings subcommittees established to examine each of the areas designated as duties in the legislation have also met and reported their findings to the full commission.



## II. DISCUSSION OF RECOMMENDATIONS

A. We recommend that the current School Finance Act should be retained in substantially its present form for at least one more year before further fundamental revisions are undertaken.

The School Finance Act of 1973 and the annual revisions of that Act have been the focus of lengthy legislative deliberations, three interim study commissions, several lawsuits and a successful initiative.<sup>1/</sup> In general, we believe that the attention given to this law has been both justified and productive.

The Commission has met with representatives of the Department of Educational and Cultural Services for an explanation of the present law and a review of the major changes made since the passage of the original school finance act in 1973. We find that the present school finance law differs both in its conceptual framework and its detailed structure from the law enacted in 1973. Some of these changes eliminated flaws in the original law and resulted in a more fiscally prudent and predictable mechanism for financing education. The repeal of the uniform property tax in December, 1977 and other changes in the law made during the 2nd Regular Session in 1978, however, constitute significant departures from previous school finance acts.

The repeal of the uniform property tax eliminated the requirement for any specific local financial commitment for education. With changes made during the legislative session, the local spending limit for education was also eliminated from the law. In summary, the required tax floor and the spending ceiling,

key features in the former laws, were removed from the law. These changes are affecting education for the first time in the current school year and, as a result, the commission is unable to assess their real impact.

We have examined the present law, however, and find that it offers one reasonable method of distributing State funds for elementary and secondary education. Although the commission is not unanimous in its support for all of the features of the present law, we do agree that stability in education finance is needed after a 6 year period of substantial annual changes.

B. We recommend that the data collection system created by the 1977 N.C.S.L. study of the school finance law should be supplemented with additional items needed by the Legislature and the department, and should be transferred to a site within the State for continued use as a research source.

Although no financial data exists now to answer questions raised about the effects of recent changes in the law, the data system established by the National Conference of State Legislatures during its 1977 study of the Maine school finance law is available for continued use by the Legislature and the department.

The NCSL study was the first systematic attempt to analyze the financial effects of the series of school finance laws enacted since 1973. The information in this study relating to taxing and spending trends both in education and in the non-education municipal budget areas is an invaluable resource for future deliberations.

The commission believes that this data base should be used as one major information source for future analyses of the law. The Legislature and the department should review this information system, suggest any other additional items which might be useful and arrange for the system to be maintained within the State. With this research aid future commissions, the Legislature

and the department will be able to make the careful assessments of the financial effects of changes in the law which are now mostly matters for speculation.

C. We recommend that accurate personal and corporate income data should be collected for each community as soon as practicable for possible use in the school financing formulas. This information should be part of the N.C.S.L. data base (see Recommendation B.)

At a seminar with fiscal experts from other states the Commission was addressed by Dr. John Callahan of the National Conference of State Legislatures. Dr. Callahan said that, nationally:

1. Incomes are less subject to inflation than are property values;

2. Some school districts have a disparity between property wealth and income wealth;

3. Income is a factor in measuring wealth ("ability to pay") and high or low incomes correlate directly with local support or lack of support for schools;

4. It is difficult but not impossible to use income information as a factor in the school finance area; and

5. If the use of income information causes a diversion in the State and local efforts to get accurate property valuation information, it would not be worth using. Accurate property valuation is of fundamental importance.

Seconding Dr. Callahan's comments is the Education Finance Center's publication, Alternative Measures of School District

Wealth:

"Even when the property tax is the only local tax, income may still be a more comprehensive and sensitive measure of fiscal capacity. Studies have shown that income is the best single explanatory variable for government expenditures. The Federal government, moreover, uses a per-capita income measure of wealth for each state in nearly all its equalization and programs, regardless of a state's mix of tax types."

While Maine does collect and maintain some personal income information we feel the present data is not complete enough to be relied on. We are reluctant to recommend that less than adequate income information be used when the impact of such a change in the school finance formula on small municipalities with limited tax bases may be great. Therefore, we recommend that complete and reliable information be gathered as soon as possible.

Exactly how an income factor might fruitfully be used is still an open question and one on which we make no recommendation. One idea we did discuss was the possibility of using an income factor to "target" increased education aid to particularly income poor and property poor communities. That such communities exist ~~is clear.~~ In an analysis of the per capita property valuation and income of each Maine community, we determined that approximately 18.7% of Maine's communities had below average income and below average valuation, with the income factor less than the valuation factor.<sup>3/</sup> Many of the municipalities in this group are the poorest of the poor.

It should be noted, however, that such targeted aid for low income municipalities does nothing to help the poor person who happens to live in an income or property rich community. These people could more properly be assisted by other relief programs, such as a property tax circuit breaker.

The use of an income factor may be but the first step. Thought might be given to incorporating additional factors in the distribution formula, to assigning the appropriate weights for such factors and to assessing whether such factors should be averaged over a number of years. The Education Commission of the States (ECS) has concluded that: <sup>4/</sup>

"First...it has been shown that income, in addition to property wealth, is an important determinant of school district fiscal decisions. Second...there is little correlation between property wealth per pupil and income per pupil or household income in many states. Third, economic research has demonstrated that wealth equalization is a function not only of (1) total property wealth, and (i) household income, but also of (3) the composition of the property tax base [residential/commercial], and (4) the structure of the equalization formula itself."

ECS has further stated: "The argument is that weightings for income and tax base composition should be based on the roles that these factors actually play in determining local expenditures in a state."<sup>5/</sup> Additional research is also needed on the property weighting to be given to such factors.

As soon as reliable income information is available it should be made part of the N.C.S.L. data base (see Recommendation B).

D. We recommend that the law should be clarified to encourage a better understanding of the level of State funding in each of the categorical programs of school aid. Similarly, the financial information supplied annually by the State to local units should also clearly identify the percentage of State funds received by each unit.

The major categorical programs of school aid include special education, vocational education, transportation and debt service. The school finance law provides that the state-local allocation of a unit should include a certain percentage of the unit's estimated costs or actual expenditures in each of these program areas during a specified year.

These percentages have often been perceived as identifying the level of State funds available to a unit in each of the programs. This perception is simply wrong. For example, although the law provides that 100% of a unit's debt service costs should be included in the unit's state-local allocation, some units which have debt service costs may nevertheless receive no State funds for education if they have a high ratio of property valuation to

enrollment.

These percentages are used instead to establish the amount of money in each program area which can be included as a part of the unit's state-local allocation. In turn, it is this state-local allocation which, for most units, is composed of money from both State and local sources.<sup>6/</sup> The actual percentage of a specific unit's state-local allocation which is available from State funds depends on the state valuation of the unit and the subsidy index. Because of the wide variation in valuations among units, the percentage of State funds which different units may receive also varies from zero to roughly 90%.

The percentages in the law relating to the categorical programs have been consistently and mistakenly construed as indicating the level of State funds available to local units. This is seriously misleading in that it suggests a substantially higher level of State funding than the law actually provides. We believe that this misunderstanding can be eliminated by rewriting portions of the law and by clearly identifying in this computation of unit allocations the percentage of State funds which each unit receives.

E. We recommend that the method of computing the state allocation for school administrative districts and community school districts should be revised so that no town within a district is required to raise more than its computed portion of the state-local allocation, or the subsidy index amount, whichever is less. The State should provide the funds to make up for revenue lost to districts by the implementation of this recommendation.

School administrative districts and community school districts were formed according to cost-sharing agreements based on the property valuation or the pupil enrollment, or a combination of these 2 factors in the member towns. Some districts are composed of towns with very different per pupil valuations. The state formula for

reimbursing these districts and the cost-sharing agreements based to some extent on the enrollments of the member towns ensured that towns with high property valuations per pupil were not required to raise more than their agreed upon share of the district's costs.

The enactment of the uniform property tax and a new method for determining state aid in 1973 created a new situation. All towns were required to levy the uniform property tax and this requirement took precedence over the cost-sharing agreements within the school districts. Some towns in districts, like some towns outside of districts, raised more money than their computed share of the state-local allocation. With the repeal of the uniform property tax, towns outside districts were no longer required to raise any specific amount of money. This limitation, however, was not extended to individual towns within districts. (See Appendix A)

We believe that districts should not experience decreases in State aid due to high valuation members. We also believe that towns within districts should not be required to levy more than the subsidy index in order to raise the local allocation simply because of the cost-sharing arrangements of the districts. Towns in districts should enjoy the same protection as towns outside of districts. By limiting the local assessment of any town within a district to its computed portion of the state-local allocation or the amount raised by levying the subsidy index, whichever is less, this objective can be achieved.

This recommendation has the effect of superseding the cost-sharing agreements for that portion of the district's budget which is provided by the state-local allocation. The district will continue to use the cost-sharing agreements for any money raised in excess of the local leeway provision.

Finally, we believe that the State should pay for the cost of carrying out this recommendation. The State presently pays the cost of the protection granted to towns outside districts and the State should absorb the costs of similar protection for towns within districts. Carrying out this recommendation will require an annual additional appropriation. The first year cost will be \$1 million dollars.

F. We recommend that the full costs of the employers' share of teachers' retirement should continue to be paid from General Fund sources. We further recommend, however, that for purposes of providing a more accurate picture of the total costs of education to the Legislature and the Governor, the costs of the employers' share of teachers' retirement should be included as one item in the commissioner's annual report of actual education costs.

Presently, the full cost of the employers' share of teachers' retirement is paid by the State from General Fund revenues. Legislative consideration of this item occurs separately from its consideration of the other costs of primary and secondary education.

Including the costs of teachers' retirement as an additional item in the total basic education appropriation has been presented to several recent interim commissions on education finance and was introduced as a bill during the Second Regular Session of the 108th Legislature. We reviewed this proposal with representatives of the Legislative Finance Office and the State Retirement System in a meeting of the full commission. In addition, a subcommittee was established to further consider the proposal and to report to the full commission.



Those who support including these costs as part of the total basic education appropriation argue that teachers' retirement costs are an educational expense and that local units should share the burden of funding them. They point out that if the costs of teachers' retirement are counted, the State's share of the total basic education appropriation becomes 59.5%.

Presently, however, the State not only pays the entire employers' portion of these costs but also is responsible for the key decisions relating to the program. If any portion of these costs were to be shifted to local revenue sources, similar shifts in the control of the program would also be necessary.

~~The~~ commission acknowledges that teachers' retirement benefits are part of the total costs of education and believes that including these costs as part of the commissioner's annual report of actual education costs would ensure a clearer and more comprehensive perception of the total costs of education.

To include these costs as part of the total basic education appropriation in the current year would shift roughly 10 million dollars to the local property tax. Reducing the proportion of education costs derived from the property tax, has been the direction of recent education reform efforts and we do not support a reversal of this course.

G. We recommend that the local leeway provision should be amended so that the state's schedule of payments coincide with the uniform school fiscal year for which the voters approve the use of local leeway.

In 1976 the state's payment schedule for local leeway funds was amended so that a single payment was made on December 31 annually. This payment was computed on the basis of the unit's local leeway tax effort for the last 6 months of the previous fiscal year and the first 6 months of the current fiscal year. Prior to 1976 the State's payments coincided with the local unit's July to June fiscal year. The change was made simply to reduce state payments at a time when the state faced cash flow problems.

This delay in payment has helped the State while creating problems for local units. A State payment schedule which coincides with the unit's fiscal year should be restored. Carrying out this recommendation will require a single appropriation of 5.4 million dollars.

H. We recommend that the local leeway provision should be amended to identify the amount of the State's participation in local leeway as 40% of the total funds available under this provision and to provide that annual revisions will be made to ensure that this % is maintained.

Increases in the state valuation which exceed increases in enrollment statewide cause the state's share of the total amount available under the local leeway provision to decrease. In recent years the Legislature has adjusted the local leeway formula to maintain the level of the previous year's state share.

We believe that this provision should be amended to provide that the state's share should be no less than 40% of the total funds available under local leeway. Language should also be added clarifying that it is the Legislature's intent that the formula should be adjusted to maintain this percentage.

1. We recommend that the local leeway provision should be amended to require that local units approve any local leeway appropriations no later than 90 days following the final approval of the school budget.

Presently, local units have no restrictions as to when they may vote to approve local leeway appropriations. Some units approve appropriations under the leeway provision long after the approval of their annual school budget. We believe that 90 days following final action of the school budget should be included as a deadline for local approval of local leeway funds.

j. We recommend that the district power equalizing (D.P.E.) approach to school finance should continue to be limited to funding the local leeway provision.

The principal alternative to the funding approach used for the basic allocation portion of the present law is called district power equalizing (D.P.E.). District power equalizing is based on the principle that at any specified tax rate every school unit, regardless of its property tax base, will have the same dollars per pupil available to it through a combination of local and State money. The State establishes a schedule of spending level choices related to a schedule of tax rates and each local unit chooses its tax rates from the schedule. School units which have small property tax bases per pupil would receive a supplement from the State to reach the scheduled spending level coinciding with the tax rate which it had chosen.

According to the following schedule any unit which made a tax effort of \$10.00 per thousand (10 mills) would be guaranteed \$1,000 per pupil. If the unit's valuation raised \$1,000 per pupil with a 10 mill tax effort, the unit would receive no State funds. If it did not the unit would receive from the State the difference between the amount

it raised with a 10 mill effort and \$1,000 per pupil.

#### Tax Rate/Expenditure Schedule

<u>Tax Rates</u>	<u>Expenditures</u>
5.00	\$ 500
7.50	750
10.00	1,000
12.50	1,250
15.00	1,500

The commission has heard presentations explaining the district power equalizing approach and reviewed evaluations of this approach as it is used in some other states. D.P.E. was advanced as a way to eliminate the taxing and spending disparities now permitted by the present law. Setting aside the question as to whether both taxing and spending equity are essential for a fair funding law, the commission believes that D.P.E. fails to guarantee either of these features. Because D.P.E. requires local decisions on both the level of taxation and the level of spending, and because a specific D.P.E. schedule might encourage some units to make different tax efforts than they do under the present law, the potential for disparities in both taxing and spending might actually be increased under a D.P.E. law. The commission finds that the present law provides significant encouragement for local decision-making on taxing and spending levels. A D.P.E. approach would not enhance this area of decision-making.

Under the present law the local leeway provision is based on the D.P.E. approach. We believe that inclusion of D.P.E. in just this one area of the law is a reasonable use of the concept. Some

disparity in spending and taxing efforts in the area which exceeds the basic allocation may be justified if the basic allocation has already been guaranteed through the current funding method.

K. We recommend that the impact aid provision should be amended so that state payments are computed on the basis of the amount of the unit's entitlement to Federal money in the base year. A provision should be included, however, to protect units which experience a substantial decrease in impact aid funds.

Under the present law the adjustment for impact aid is based on the amount of money which a unit is entitled to receive from the Federal government in the year prior to the year of allocation. This amount is often not known with certainty until after the Legislature has appropriated funds for education. By amending the law so that this adjustment is computed using the amount of the entitlement in the base year, both the state and local units would be able to make budget decisions with known data.

L. We recommend that the local allocation should continue to be computed by using the most recent state valuation. In recent years the state valuation has increased in accuracy and consistency and there is no need to consider using an average of several state valuations in calculating the local allocation.

Under the present law a sudden increase in a municipality's state valuation would have two serious effects. First, the state education allocation to the municipality would significantly decrease. Second, a much greater amount would have to be raised as the local allocation if the municipality were to maintain the same spending levels. These two consequences would not seem acceptable if the state valuation had not correctly calculated the municipality's increased property wealth. However, after further investigation we feel that the state valuation's accuracy

is currently acceptable and steadily improving.<sup>7/</sup> Certainly, the yearly increases in a municipality's state valuation no longer represent dramatic increases in the local valuation as might have happened in earlier years when the state valuation corrected a municipality's habitual under-valuation of certain properties.

To use an average of past years state valuations in the school finance formula would be to favor municipalities which experience legitimate growth in their property wealth. A good example of such a possible distortion would be the expected Pratt & Whitney development in North Berwick. This development should greatly expand North Berwick's local tax base, yet, if the school finance formula averaged in their past state valuations, part of the new wealth would be ignored in calculating the state education allocation.

Therefore, we recommend that the school finance formula continue to use the most current state valuation information available.

M. The quality of each child's education should not be primarily determined by whether the child's community has high or low per pupil property valuations. We recommend that the State should fund at least 55% of the basic cost of education and should never fund at a percentage lower than the prior year's percentage.

Last year the State funded 53.4% of the basic education allocation (this does not include local leeway monies or monies raised by the localities beyond local leeway). We recommend that this percentage be increased to 55% to further emphasize the State's commitment to ensuring that the education of Maine children will not primarily depend on the property wealth of a particular community. Further, we recommend that the State never decrease its percentage share below that of the prior year. This

will ensure that school can initiate projects without fear of significant reductions in their state education aid.

N. The dependence on the local property tax to finance schools should be lessened. The Legislature should immediately investigate alternate sources of funding, including whether to either decrease the amount of property currently exempt from the local property tax or to expand current laws enabling municipalities to charge owners of tax exempt property a user fee for services.

The property tax is regressive in that it can impose an extraordinary burden on low income and high property wealth families. One way to alleviate the burden of the property tax on Maine residences is to expand the local tax base. In our investigation of ways to accomplish this we considered and rejected the establishment at this time of either a local income or sales tax<sup>8/</sup> or the implementation of a local tax on capital gains from the rapid sale of property originally bought for development.<sup>9/</sup> We believe, however, that sufficient study of the tax exempt property problem has been done to warrant the recommendation that the Legislature immediately investigate the best way to have owners of tax exempt property pay a fair share of the cost of services they receive from a municipality.

In 1973 the University of Maine completed a very thorough study of the tax exempt property problem. The study calculated that in Maine assessor reported values for exempt real property totaled \$1.9 billion.<sup>10/</sup> If this exempt property were to contribute more to local needs, either through a limiting of exemptions or through user charges,<sup>11/</sup> the property tax burden on local residences would be eased.

It is important to note that expanding the local tax base through greater contributions from exempt property would not make necessary a tax increase. Burdens would be shifted, not increased.

A minority of the commission presents the following recommendation.

We recommend that the costs of crossing guards should be included as a part of transportation costs and should be reimbursed accordingly. Reimbursements should be limited to 50% of the expenditures during the base year.

Presently, the costs of school crossing guards are not considered by the State as an educational expense. Local units pay the full costs of crossing guards. We believe that crossing guards provide a service for some cities that is comparable to the service provided by school buses in more rural units. Since the costs of operating school buses are considered by the State as an educational expense, we believe that the costs of school crossing guards should be treated in the same way. Including these expenditures as part of the unit's transportation costs would assure that the costs of crossing guards and the costs of operating school buses are treated on the same basis of reimbursement.

We estimate that the costs of school crossing guards in the current year is \$437,000.



A minority of the committee presents the following recommendation.

We recommend that the local allocation should be computed by using the average of the three most recent state valuations.

Currently, a sudden increase in a municipality's state valuation has two serious effects. First, the state allocation for education to the municipality is significantly decreased. Second, a much greater amount has to be raised as the local allocation if the municipality is to maintain the same spending level.

It must be recognized that an average of past state valuations would favor municipalities which experience legitimate growth in their property wealth. We feel, however, that this disadvantage is offset by the negative impact caused by the abrupt changes in state valuation and the inability of all communities to plan ahead for their educational budgets. We believe the implications are doubly serious when one considers the negative reaction of people within the community when educational costs experience an increase in relation to the entire municipal budget. A phase-in of these changes would assist all municipal governments in their planning process.

## FOOTNOTES

- 1/ The uniform property tax was repealed by the voters in December 1977. The issue was on the ballot as the result of an initiative presented to the 108th Legislature.
- 2/ Education Commission of the States, Alternative Measures of School District Wealth 10 (1976).
- 3/ See Commission memo by Office of Legislative Assistants, "Distribution of education funds according to per capita income and per pupil income" (September 25, 1976).
- 4/ Education Commission of the States, "The Role of Income and Property Tax Base Composition in School Finance Equalization" (1978).
- 5/ Id.
- 6/ Some units with very high valuations per pupil raise the entire state-local allocation from the local property tax.
- 7/ See Select Committee on State Property Tax Valuation, Is the State Valuation Accurate? 1 (1977). The Committee found the state valuation to be "conservative and reasonably accurate and will improve with each year..."
- 8/ Each municipality would be able to decide whether to continue to raise almost all of their revenues from the property tax or whether to diversify their local tax mix by raising significant amounts from a local income (personal, corporate or both) or sales tax. Such flexibility would not only decrease the burden of property taxes but would also significantly enhance "local control." Four safeguards are recommended by the Advisory Commission on Intergovernmental Relations (ACIR):
  - A. The local tax should be administered by the State (e.g., make the local tax a percent of the State sales or income tax and have the State collect and administer it);
  - B. Each municipality should have a uniform tax base (e.g., one municipality should not be able to impose a sales tax on certain items while others do not);
  - C. There should be universal or widespread coverage, with a popular vote necessary before a municipality could set a tax rate higher than the State mandated figure; and
  - D. There should be a specification of the range of tax rates a municipality may impose.

- 9/ L.D. 942 of the 108th Legislature, "AN ACT to Discourage Land Speculation by Imposition of a Tax on Gains From the Sale of Land" would have accomplished this.

The purpose of that bill would have been to impose a tax on the gains from the sale or exchange of land in Maine and thereby dampen speculation in Maine real estate.

Exempted from this tax would have been land of up to an acre which is necessary for the use of the seller's principal residence.

The tax would have been assessed on a sliding scale with the greatest tax being paid if the seller had held the land for only one year or less and the least tax being paid if the seller had held the land for between 5 and 6 years would not have been taxed on the gain from any transfer.

- 10/ See University of Maine, Institutional Property Tax Exemptions in Maine 5 (1973).

- 11/ Chapter 487, P.L. 1977, establishes a general mechanism for allowing municipalities to charge user fees for the costs of public services.

## APPENDIX A

The following examples illustrate 2 ways in which a situation, eliminated by the repeal of the uniform property tax for towns outside of districts, is still experienced by towns within districts. Under the present law the State allocation of a unit is computed by subtracting the local allocation of the unit from the State-local allocation. The local allocation itself is derived by multiplying the State valuation of the unit by the subsidy index. The law specifies, however, that the local allocation cannot exceed the State-local allocation of a unit. Because this provision applies only to units and not to towns within units, two problems are created for some towns.

The first problem affects towns within districts which share costs only on the basis of their state valuations. If a town outside a district has a state-local allocation of \$75,000 and a state valuation of \$10,000,000, and the subsidy index is 10 mills, its local allocation is limited to \$75,000. If this same town were in a district which shares costs solely on the basis of the state valuation, its local assessment would be \$100,000, the product of 10 mills and its state valuation. This local assessment is the portion of the district's state-local allocation which is attributed to any member town and is comparable to the local allocation for towns outside of districts. Because this high valuation town is in the district, then, the state allocation to the district would be reduced by \$25,000. If the district needed this money to operate its schools, the money would have to be raised by the members of the district.

The second problem affects towns within districts which share costs on the basis of pupil enrollment or a combination of pupil enrollment and the state valuation. If the town described above were in this kind of district, the \$25,000 might have to be raised by other members of the district with lower valuations. The result, then, might be that all members of the district would have to levy more than the subsidy index simply because they are in that district. In contrast, if they were independent units, none of the towns would levy more than the subsidy index.

## 1979-80 PROPOSED SUBSIDY COMPUTATION

(S.A.D. &amp; C.S.D. Breakdown)

[See Appendix A]

	Total Allocation	PRESENT LAW @10 Mills		PROPOSED CHANGE @10 Mills	
		Local	State	Local	State
S. A. D. #12					
Dennistown Plt.	\$ 9,626.42	\$ 12,000.00	\$ (2,373.58)	\$ 9,626.42	\$ -0-
Jackman	270,141.27	86,500.00	183,641.27	86,500.00	183,641.27
Moose River Plt.	59,563.44	31,500.00	28,063.44	31,500.00	28,063.44
TOTAL	\$ 339,331.13	\$ 130,000.00	\$ 209,331.13	\$ 127,626.42	\$ 211,704.71
S. A. D. #13					
Bingham	\$ 333,985.03	\$ 116,000.00	\$ 217,985.03	\$ 116,000.00	\$ 217,985.03
Caratunk Plt.	14,548.59	28,500.00	(13,951.41)	14,548.59	-0-
Moscow	241,633.11	89,000.00	152,633.11	89,000.00	152,633.11
The Forks Plt.	23,404.25	28,500.00	(5,095.75)	23,404.25	-0-
West Forks Plt.	18,343.87	20,500.00	(2,156.13)	18,343.87	-0-
TOTAL	\$ 631,914.85	\$ 282,500.00	\$ 349,414.85	\$ 261,296.71	\$ 370,618.14
S. A. D. #17					
Harrison	\$ 429,546.16	\$ 367,500.00	\$ 62,046.16	\$ 367,500.00	\$ 62,046.16
Hebron	187,926.44	68,000.00	119,926.44	68,000.00	119,926.44
Norway	1,025,166.84	516,000.00	509,166.84	516,000.00	509,166.84
Otisfield	235,376.31	244,000.00	(8,623.69)	235,376.31	-0-
Oxford	935,886.18	392,500.00	543,386.18	392,500.00	543,386.18
Paris	1,176,257.21	507,500.00	668,257.21	507,500.00	668,757.21
Waterford	280,953.15	265,000.00	15,953.15	265,000.00	15,953.15
West Paris	373,979.87	93,500.00	280,479.87	93,500.00	280,479.87
TOTAL	\$4,645,092.16	\$2,454,000.00	\$2,191,092.16	\$2,445,376.31	\$2,199,715.85
S. A. D. #41					
Atkinson	\$ 97,177.23	38,000.00	59,177.23	38,000.00	59,177.23
Brownville	445,193.20	116,000.00	329,193.20	116,000.00	329,193.20
LaGrange	137,262.84	41,500.00	95,762.84	41,500.00	95,762.84
Lake View Plt.	1,822.07	46,000.00	(44,177.93)	1,822.07	-0-
Milo	767,092.79	234,000.00	533,092.79	234,000.00	533,092.79
TOTAL	\$1,448,548.13	\$ 475,500.00	973,048.13	\$ 431,322.07	\$1,017,226.06
S. A. D. #44					
Andover	\$ 311,324.16	\$ 136,000.00	\$ 175,324.16	\$ 136,000.00	\$ 175,324.16
Bethel	722,080.05	306,500.00	415,580.05	306,500.00	415,580.05
Greenwood	196,120.51	135,000.00	61,120.51	135,000.00	61,120.51
Newry	58,973.30	62,000.00	(3,026.70)	58,973.30	-0-
Woodstock	338,753.61	152,000.00	186,753.61	152,000.00	186,753.61
TOTAL	\$1,627,251.63	\$ 791,500.00	\$ 835,751.63	\$ 788,473.30	\$ 838,778.33

	Total Allocation	PRESENT LAW @10 Mills		PROPOSED CHANGE @10 Mills	
		Local	State	Local	State
S. A. D. #57					
Alfred	\$ 458,668.22	\$ 183,500.00	\$ 275,168.22	\$ 183,500.00	\$ 275,168.22
Limerick	379,777.28	243,500.00	136,277.28	243,500.00	136,277.28
Lyman	781,570.64	263,000.00	518,570.64	263,000.00	518,570.64
Newfield	184,078.85	190,000.00	(5,921.15)	184,078.85	-0-
Shapleigh	333,298.91	397,000.00	(63,701.09)	333,298.91	-0-
Waterboro	857,403.79	479,500.00	377,903.79	479,500.00	377,903.79
TOTAL	\$2,994,797.69	\$1,756,500.00	\$1,238,297.69	\$1,686,877.76	\$1,307,919.93
S. A. D. #61					
Bridgton	\$1,046,286.72	\$ 774,500.00	\$ 271,786.72	\$ 774,500.00	\$ 271,786.72
Casco	659,358.05	418,000.00	241,358.05	418,000.00	241,358.05
Naples	564,600.01	473,500.00	91,100.01	473,500.00	91,100.01
Sebago	272,429.37	290,000.00	(17,570.63)	272,429.37	-0-
TOTAL	\$2,542,674.15	\$1,956,000.00	586,674.15	1,938,429.37	604,244.78
S. A. D. #71					
Kennebunk	\$1,809,144.90	\$1,224,000.00	\$ 585,144.90	\$1,224,000.00	\$ 585,144.90
Kennebunkport	686,911.70	1,013,000.00	(326,088.30)	686,911.70	-0-
TOTAL	\$2,496,056.60	\$2,237,000.00	\$ 259,056.60	\$1,910,911.70	\$ 585,144.90
S. A. D. #72					
Brownfield	\$ 192,454.35	\$ 118,000.00	\$ 74,454.35	\$ 118,000.00	\$ 74,454.35
Denmark	153,129.31	248,500.00	(95,370.69)	153,129.31	-0-
Fryeburg	760,879.87	385,000.00	375,879.87	385,000.00	375,879.87
Lovell	209,137.69	349,000.00	(139,862.31)	209,137.69	-0-
Stoneham	33,366.70	66,000.00	(32,633.30)	33,366.70	-0-
Stow	33,366.70	35,000.00	(1,633.30)	33,366.70	-0-
Sweden	32,175.03	58,000.00	(25,824.97)	32,175.03	-0-
TOTAL	\$1,414,509.65	\$1,259,500.00	\$ 155,009.65	\$ 964,175.43	\$ 450,334.22
S. A. D. #74					
Anson	\$ 676,751.21	\$ 192,000.00	\$ 484,751.21	\$ 192,000.00	\$ 484,751.21
Embden	140,816.54	176,500.00	(35,683.46)	140,816.54	-0-
New Portland	181,219.59	87,500.00	93,719.59	87,500.00	93,719.59
Solon	253,707.43	106,500.00	147,207.43	106,500.00	147,207.43
TOTAL	\$1,252,494.77	\$ 562,500.00	689,994.77	526,816.54	\$ 725,678.23

	Total Allocation	PRESENT LAW @10 Mills		PROPOSED CHANGE @10 Mills	
		Local	State	Local	State
<u>S. A. D. #75</u>					
Bowdoin	\$ 446,126.17	\$ 136,000.00	\$ 310,126.17	\$ 136,000.00	\$ 310,126.17
Bowdoinham	485,641.84	208,000.00	277,641.84	208,000.00	277,641.84
Harpswell	864,763.18	1,037,500.00	(172,736.82)	864,763.18	-0-
Topsham	1,708,336.80	762,000.00	946,336.80	762,000.00	946,336.80
TOTAL	\$3,504,867.99	\$2,143,500.00	\$1,361,367.99	\$1,970,763.18	\$1,534,104.81
<u>FLANDERS BAY C.S.D. #4</u>					
Franklin	\$ 104,989.25	\$ 47,475.20	\$ 57,514.05	\$ 47,475.20	\$ 57,514.05
Gouldsboro	134,986.18	113,746.60	21,239.58	113,746.60	21,239.58
Sorrento	34,996.42	36,856.10	(1,859.68)	34,996.42	-0-
Steuben	73,742.45	38,603.25	35,139.20	38,603.25	35,139.20
Sullivan	100,614.70	34,138.80	66,475.90	34,138.80	66,475.90
Winter Harbor	77,492.07	30,818.10	46,673.97	30,818.10	46,673.97
TOTAL	\$ 526,821.07	\$ 301,638.05	\$ 225,183.02	\$ 299,778.37	\$ 227,042.70
<u>MOUNT DESERT C.S.D. #7</u>					
Bar Harbor	\$ 330,161.87	\$ 295,805.90	\$ 34,355.97	\$ 295,805.90	\$ 34,355.97
Mount Desert	251,038.11	344,191.25	(93,153.14)	251,038.11	-0-
Southwest Harbor	183,423.26	117,160.00	66,263.26	117,160.00	66,263.26
Tremont	115,808.41	84,641.20	31,167.21	84,641.20	31,167.21
TOTAL	\$ 880,431.65	\$ 841,798.35	\$ 38,633.30	\$ 748,645.21	\$ 131,786.44
<u>SCHOODIC C.S.D. #11</u>					
Franklin	\$ 167,684.62	\$ 80,524.80	\$ 87,159.82	80,524.80	\$ 87,159.82
Sorrento	47,069.37	52,643.90	(5,574.53)	47,069.37	-0-
Sullivan	207,693.58	74,861.20	132,832.38	74,861.20	132,832.38
TOTAL	\$ 422,447.57	\$ 208,029.90	\$ 214,417.67	\$ 202,455.37	\$ 219,992.20
<u>GREAT SALT BAY C.S.D. #14</u>					
Damariscotta	\$ 204,782.47	\$ 214,888.70	\$ (10,106.23)	\$ 204,782.47	\$ -0-
Newcastle	174,341.84	155,957.60	18,384.24	155,957.60	18,384.24
TOTAL	\$ 379,124.31	\$ 370,846.30	\$ 8,278.01	\$ 360,740.07	\$ 18,384.24
GRAND TOTAL	\$25,106,363.35	\$15,770,812.60	\$9,335,550.75	\$14,663,687.81	\$10,442,675.54



AN ACT to Amend the School Finance Law.

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

Whereas, the changes in the school finance law contained in this legislation will benefit all of Maine's school children; and

Whereas, these changes must be in effect on July 1, 1979; and

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

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

Sec. 1. 20 MRSA §4742, sub-§1, as enacted by P.L. 1977, c. 625, §8, is repealed and replaced, as follows:

1. Contribution from General Fund. It is the intent of the Legislature to provide at least 55% of the cost of the basic education allocation from General Fund revenue sources or a percentage no less than that provided in the year prior to the year of allocation, whichever is greater.

Sec. 2. 20 MRSA §4743, sub-§15-A, is enacted to read:

15-A. Municipality's share of the unit's state-local allocation. "Municipality's share of the unit's state-local allocation" means the portion of the state-local allocation of a unit which is computed as follows:

A. Divide the state-local allocation of the unit by the average number of resident pupils used in computing the state-local allocation of the unit; and

B. Multiply the quotient determined in paragraph A by the average number of resident pupils in the municipality.

Sec. 3. 20 MRSA §4744, sub-§1, as enacted by PL 1977, c. 625, §8, is amended by adding a new paragraph as follows:

P. Cost of state expenditures for teachers retirement benefits.

Sec. 4. 20 MRSA §4748, sub-§3, as enacted by PL 1977, c. 625, §8, is amended by adding a new paragraph, as follows:

D. The percentages applied under the provisions of paragraph A of this subsection shall be used to compute the maximum amount of money in each program area which may be included in the unit's state-local allocation. These percentages shall not be construed as indicating the level of the state's share in any of the program areas.

Sec. 5. 20 MRSA §4749, 1st paragraph, as enacted by PL 1977, c. 625, §8, is amended by adding a new sentence at the end, as follows:

Any unit which raises less than its local allocation because of the provisions of §4751, sub-§1, paragraph D, shall be considered to have raised its local allocation for purposes of the adjustments identified in subsections 2, 4, 5, 6 and 8 of this section.

Sec. 6. 20 MRSA §4749, sub-§3, paragraph C, 1st sentence, as enacted by PL 1977, c. 625, §8, is amended as follows:

C. The amount subtracted under paragraph B may not exceed 90% of the unit's entitlement for the year prior to the year of allocation or the base year, whichever is less.

Sec. 7. 20 MRSA §4751, sub-§1, as enacted by P.L. 1977,

c. 625, §8, is repealed and replaced, as follows:

§4751. Local allocation and appropriations

1. Local allocation computation; recorded vote; limit; exception for certain units.

A. The commissioner shall compute the local allocation by multiplying the subsidy index established by the Legislature under section 4747, subsection 4, by the state valuation of the municipalities within each administrative unit.

B. The legislative body of each administrative unit may vote to raise and appropriate an amount up to the local allocation as computed by the commissioner. This action shall be taken by a recorded vote.

C. Notwithstanding the provisions of paragraph A, the commissioner's computation of the local allocation for each administrative unit shall not exceed the state-local allocation, as adjusted by section 4749, for the unit.

D. Notwithstanding any other provision of this chapter, the portion of the local allocation of a unit which the unit may assess a member municipality shall be the lesser of the two following amounts:

(1) The municipality's share of the unit's state-local allocation, or

(2) The product of the state valuation of the member municipality and the subsidy index.

E. Whenever any unit does not raise the local allocation as the result of the provisions of paragraph D of this subsection, the commissioner shall add to the state allocation of the unit an amount equal to the difference between the local allocation of the unit and the actual amount raised by the unit under these provisions.

Sec. 8. 20 MRSA §4751, sub-§3, as enacted by PL 1977, c. 625, §8, is repealed and replaced, as follows:

3. Local leeway.

A. The legislative body of an administrative unit may, in addition to the unit's state-local allocation under sections 4748 and 4749, authorize an additional expenditure for either elementary or secondary pupils, or both, not to exceed a local appropriation for each municipality of 1.3 mills on the state valuation in effect on July 1st or \$125 per pupil, whichever is less, for the 1978-79 year of distribution. No unit shall participate in local leeway unless it has raised the maximum amount of its local allocation, as computed by the commissioner under subsection 1, paragraph A or as provided under subsection 1, paragraph D. Any unit may appropriate funds under this subsection no later than 90 days following the final adoption of the school budget.

B. Such local appropriations shall be divided equally over a 12-month period.

C. The funds appropriated under this subsection shall be called "local leeway."

(1) The purpose of these appropriations is to provide that all administrative units may raise and appropriate at least the amount per pupil established at the computed mill rate for that year under this subsection to supplement the adjusted allocations when necessary in the judgment of the local administrative units.

(2) The amount appropriated by the Legislature under section 4747, subsection 6, shall be the maximum state obligation under this subsection.

(3) The legislature shall adjust annually the computed mill rate and the amount per pupil so that the state's maximum obligation under this subsection is equal to 40% of the maximum amount which the state and local units may appropriate under this subsection.

D. If the authorization for additional funds by an administrative unit under this subsection exceeds the maximum levy for any municipality within the administrative unit, the commissioner shall add to the allocation of the unit for the unit's fiscal year a sum which equals the excess over the maximum levy of any municipality within the unit.

E. If the additional school levy authorized under this subsection fails to produce the amount per pupil established at the computed mill rate for that year under this subsection, the commissioner shall add to the allocation of the unit for the unit's fiscal year a sum which, when combined with the local levy under this section, shall equal the amount per pupil established at the computed mill rate for that year under this subsection. This sum shall be paid to the unit in two equal payments no later

than December 31st, and June 30th in the year of allocation.

F. If the administrative unit raises less than the maximum allowed under this subsection, the levy on any municipality within the administrative unit shall be in the same proportion as the municipality's share is to the total when the maximum amount allowed is raised.

G. If the administrative unit raises less than the maximum allowed under this subsection, the State shall pay its share in the same proportion to the maximum state share that the amount raised locally is to the maximum local share.

H. An article in substantially the following form is to be used when any municipality, School Administrative District or community school district is considering the appropriation of additional local funds under this subsection:

Article : To see what sum the municipality or district shall appropriate from local leeway for school purposes (recommended total \$ , local share \$ , state share \$ ), and to see if the municipality or district shall raise the local share of \$ .

Sec. 2. Appropriation. The following funds are appropriated from the General Fund to carry out the purposes of this Act.

1979-80

Department of Educational & Cultural Services

Personal Services

All Other

\$6,400,000

Emergency clause. In view of the emergency cited in the preamble, this Act shall be effective July 1, 1979.

## STATEMENT OF FACT

The purpose of this bill is to carry out those recommendations of the Interim Education Finance Commission which require statutory changes. The recommendations are as follows:

1. The state's share of education costs is established as 55% of the basic education allocation or the level of the prior year, whichever is greater.
2. Towns in school districts are protected from having to raise more than their share of the districts state-local allocation.
3. The state's expenditures for teacher retirement benefits will be reported annually as part of the actual costs of education. The state will continue to pay 100% of the employer's share of the costs.
4. The meaning of the percentages included in the school finance law are clarified.
5. The deduction for Federal impact aid funds will be computed on the base year or prior year entitlement level, whichever is less.
6. The payment of local leeway is changed to coincide with the unit's fiscal year.
7. The Legislature is directed to adjust the local leeway provision annually in order to maintain the state's share at 40%.
8. Local units are required to vote any local leeway within 90 days after their final school budget has been approved.

AN ACT to Provide for Using an Average of Recent State Valuations for Purposes of Computing State Subsidies Under the School Finance Report.

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

Whereas, the change in the school finance law contained in this legislation will benefit all of Maine's school children; and

Whereas, this change must be in effect on July 1, 1979; and

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

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

Sec. 1. 20 MRSA 4743, sub-§22, as enacted by P.L. 1977, c. 625, §8, is amended, as follows:

22. Subsidy index. "Subsidy index" shall mean the equivalent of a mill rate which, if applied to the average of the three most recent state valuations of all municipalities and as limited by section 4751, subsection 1, paragraph C, would not raise more than 50% of the basic education allocation.

Sec. 2. 20 MRSA §4751, sub-§1, paragraph A, as enacted by P.L. 1977, c. 625, §8, is amended as follows:

A. The commissioner shall compute the local allocation



using the subsidy index established by the Legislature under section 4747, subsection 4 and the average of the three most recent valuations of the municipalities within each administrative unit.

Emergency clause. In view of the emergency cited in the preamble, this Act shall be effective when approved.

#### STATEMENT OF FACT

This bill represents minority recommendation of the Interim Education Finance Commission. The purpose of the bill is to ease the impact of rapid annual changes in the state valuation by providing that the subsidies distributed under the school finance act should be based on an average of the 3 most recent state valuations.

AN ACT to Provide for Reimbursement for Crossing Guards.

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

Whereas, the change in the school finance law contained in this legislation will benefit all of Maine's school children; and

Whereas, this change must be in effect on July 1, 1979; and

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

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

Sec. 1. 20 MRSA §4748, sub-§6, ¶A, as enacted by PL 1977, c. 625, §8, is amended by adding two new sentences at the end, as follows:

These costs shall include the unit's expenditures for school crossing guards, during the base year. Reimbursement for crossing guards shall be limited to 50% of the base year expenditures.

Sec. 2. 30 MRSA §5104, sub-§5, is amended by adding a new sentence at the end, as follows:

Transportation shall include any provisions for crossing guards for school children at these schools.

Emergency clause. In view of the emergency cited in the preamble, this Act shall be effective when approved.

#### STATEMENT OF FACT

This bill represents a minority recommendation of the Interim Education Finance Commission. The purpose of the bill is to provide reimbursement for crossing guards as a part of transportation costs under the School Finance Act. This item would be reimbursed at a level of 50% of the base year expenditures.