

# **121<sup>st</sup> Legislature LD 1924 SP0761**

## **Taxation**

Joint Reference with Education and Cultural Affairs. An Act To Reduce the Cost of Local Government through Increased State Education Funding and Provide Property Tax Relief. (GOVERNOR'S BILL). **Presented By:** Senator DOUGLASS of Androscoggin  
**Cosponsored By:** Representative CUMMINGS of Portland and Senator MITCHELL of Penobscot, Representatives: FISCHER of Presque Isle, LEDWIN of Holden, MILLS of Cornville.  
**Public Hearing:** 03/18/04. OTP-AM Accepted 04/28/04. **Amended By:** CA S-545, SA/CA S-550.  
**Final Disposition:** Enacted, Signed 05/12/04, PUBLIC LAWS, Chapter 712.

**LAWS**  
**OF THE**  
**STATE OF MAINE**

**AS PASSED BY THE**  
**ONE HUNDRED AND TWENTY-FIRST LEGISLATURE**

**FIRST SPECIAL SESSION**  
**August 21, 2003 to August 22, 2003**

**The General Effective Date For**  
**First Special Session**  
**Non-Emergency Laws Is**  
**November 22, 2003**

**SECOND REGULAR SESSION**  
**January 7, 2004 to January 30, 2004**

**The General Effective Date For**  
**Second Regular Session**  
**Non-Emergency Laws Is**  
**April 30, 2004**

**SECOND SPECIAL SESSION**  
**February 3, 2004 to April 30, 2004**

**The General Effective Date For**  
**Second Special Session**  
**Non-Emergency Laws Is**  
**July 30, 2004**

**PUBLISHED BY THE REVISOR OF STATUTES**  
**IN ACCORDANCE WITH MAINE REVISED STATUTES ANNOTATED,**  
**TITLE 3, SECTION 163-A, SUBSECTION 4.**

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**Penmor Lithographers**  
**Lewiston, Maine**  
**2004**

the department shall give notice of the information under section 11254, subsection 1 to members of the public the department determines appropriate to ensure public safety.

**2. Law enforcement agencies.** Upon receipt of the information concerning the conditional release or discharge of a ~~sex offender or sexually violent predator registrant~~ pursuant to section 11254, subsection 2, a law enforcement agency shall notify members of a municipality that the law enforcement agency determines appropriate to ensure public safety.

**§11256. Risk assessment assistance**

Upon request, the department shall provide to law enforcement agencies technical assistance concerning risk assessment for purposes of notification to the public of a ~~sex offender or sexually violent predator's~~ registrant's conditional release or discharge.

**PART D**

**Sec. D-1. Research and report regarding potential offenders.** The Department of Behavioral and Developmental Services, the Department of Human Services, the Department of Corrections and the Department of Public Safety, in cooperation with the Child Abuse Action Network and the Maine Coalition Against Sexual Assault, shall:

1. Identify the subpopulation of potential offenders or young persons at risk of offending because they have been sexually abused or face a significant mental health disability, with recognition of the fact that over 95% of sex offenders are male;
2. Identify the types of prevention and treatment currently known to work with these young persons;
3. Coordinate prevention and education efforts with the goal of seeking coordinated services to transition at-risk youth to healthy adulthood; and
4. Report findings to the joint standing committees of the Legislature having jurisdiction over health and human services and criminal justice and public safety matters no later than January 30, 2005.

**Sec. D-2. Retroactivity.** Those sections of this Act that amend the Maine Revised Statutes, Title 34-A apply retroactively to June 30, 1992.

**PART E**

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

**CORRECTIONS, DEPARTMENT OF**

**Departmentwide - Overtime**

Initiative: Deappropriates funds as a result of reduced overtime requirements.

<b>General Fund</b>	<b>2003-04</b>	<b>2004-05</b>
Personal Services	\$0	(\$55,040)
<b>General Fund Total</b>	<b>\$0</b>	<b>(\$55,040)</b>

**CORRECTIONS, DEPARTMENT OF DEPARTMENT TOTALS**

<b>GENERAL FUND</b>	<b>2003-04</b>	<b>2004-05</b>
	\$0	(\$55,040)
<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<b>\$0</b>	<b>(\$55,040)</b>

**JUDICIAL DEPARTMENT**

**Courts - Supreme, Superior, District and Administrative**

Initiative: Provides funds to contract for computer programming services.

<b>General Fund</b>	<b>2003-04</b>	<b>2004-05</b>
All Other	\$0	\$55,040
<b>General Fund Total</b>	<b>\$0</b>	<b>\$55,040</b>

**JUDICIAL DEPARTMENT DEPARTMENT TOTALS**

<b>GENERAL FUND</b>	<b>2003-04</b>	<b>2004-05</b>
	\$0	\$55,040
<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<b>\$0</b>	<b>\$55,040</b>

**SECTION TOTALS**

<b>GENERAL FUND</b>	<b>2003-04</b>	<b>2004-05</b>
	\$0	\$0
<b>SECTION TOTAL - ALL FUNDS</b>	<b>\$0</b>	<b>\$0</b>

See title page for effective date.

**CHAPTER 712**

**S.P. 761 - L.D. 1924**

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

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

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

**§1677. Municipal Budget Analysis Committee; established; membership**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. For fiscal year 2006-07:

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

(2) The projected performance indicator for the related reduction in local property tax commitment to fund the cost of the essential programs and services described in Title 20-A, section 15671 is a local property tax commitment that is less than the local property tax commitment made in fiscal year 2005-06.

B. For fiscal year 2007-08:

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

(2) The projected performance indicator for the related reduction in local property tax commitment to fund the cost of the essential programs and services described in Title 20-A, section 15671 is a local property tax commitment that is less than the local property tax commitment made in fiscal year 2006-07.

C. For fiscal year 2008-09:

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

(2) The projected performance indicator for the related reduction in local property tax commitment to fund the cost of the essential programs and services described in Title 20-A, section 15671 is a local property tax commitment that is less than the local property tax commitment made in fiscal year 2007-08.

**D. For fiscal year 2009-10:**

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

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

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

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

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

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

D. Recommendations, including any recommended changes in law, related to the considerations described in subsection 2, paragraphs A to D and the benchmarks and projected performance indicators described in subsection 3.

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

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

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

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

**3. Career preparation; foreign languages; visual and performing arts.** By the end of the 2002-2003 school year, each school administrative unit shall address in the comprehensive education plan, as required in section 4502, subsection 1, how the school administrative unit will implement for all students the content areas of career preparation, foreign languages and visual and performing arts, including interim targets for partial implementation. By the end of the ~~2006-2007~~ 2007-2008 school year, each local school administrative unit shall implement standards in these additional content areas of the system of learning results, contingent upon funding based on essential programs and services or its equivalent. Notwithstanding any other provision of this chapter, the commissioner is authorized to

establish rules for inclusion of some portion of the standards in visual and performing arts for the graduating class of ~~2006-07~~ 2007-2008.

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

**11-A. Fiscal capacity.** "Fiscal capacity" means the ability of a municipality to raise property tax revenues. For each year of funding, fiscal capacity is measured as the average of the state valuation amounts for the 2 most recent years prior to the year of funding. For fiscal year 1993-94 and fiscal year 1994-95 only, if the most recent state valuation amount is less than the average of the 2 most recent state valuation amounts, the fiscal capacity of the municipality is considered to be the state valuation for the most recent year. Beginning in fiscal year 2005-06, "fiscal capacity" means the certified state valuation for the year prior to the most recently certified state valuation. The fiscal capacity of a school administrative district or a community school district is the sum of the fiscal capacity amounts of its member municipalities.

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

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

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

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

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

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

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

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

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

**1. State and local partnership.** The State and each local school administrative unit are jointly

responsible for contributing to the cost of the components of essential programs and services described in this chapter. The state contribution to the cost of the components of essential programs and services, exclusive of federal funds that are provided and accounted for in the cost of the components of essential programs and services, must be made in accordance with this subsection:

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

B. By fiscal year 2009-10 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 ~~2003-04~~ 2005-06 and in each fiscal year until fiscal year ~~2007-08~~ 2009-10, ~~the level of the state share of funding attributable to the cost of the components of essential programs and services described costs must increase toward the 50% level of eligible state and local General Fund education costs required in fiscal year 2009-10.~~

Beginning in fiscal year ~~2003-04~~ 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. 10. 20-A MRSA §15671, sub-§7, ¶B**, as enacted by PL 2003, c. 504, Pt. A, §5, is amended to read:

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

(1) For fiscal year 2005-06, the target is ~~49%~~ 52.6%.

(2) For fiscal year 2006-07, the target is ~~49.25%~~ 52.6%.

(3) For fiscal year 2007-08, the target is ~~49.50%~~ 53%.

(4) For fiscal year 2008-09, the target is ~~49.75%~~ 54%.

(5) For fiscal year 2009-10 and succeeding years, the target is ~~50%~~ 55%.

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

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

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

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

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

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

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

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

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

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

(3) For the 2007 property tax year, the full-value education mill rate is the amount necessary to result 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 that exceed the local cost share expectation established by section 15688, subsection 3, paragraph A 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.

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

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

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

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

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

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

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

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

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

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

**§15686. Transition adjustment**

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

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

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

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

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

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

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

**2. Member municipalities in school administrative districts or community school districts; total costs.** For each municipality that is a member of a school administrative district or community school

district, the commissioner shall annually determine each municipality's total cost of education. A municipality's total cost of education is the school administrative district's or community school district's total cost of funding multiplied by the percentage that the 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.

**3. School administrative unit; contribution.** For each school administrative unit, the commissioner shall annually determine the school administrative unit's contribution in accordance with the following.

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

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

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

**B.** The state contribution to the school administrative unit's total cost of education is the total cost of education calculated pursuant to subsection 1 less the school administrative unit's contribution calculated pursuant to paragraph A.

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

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

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

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

**1. Minimum state allocation.** Each school administrative unit must be guaranteed a minimum state

share of its total allocation that is determined by the sum of the following:

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

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

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

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

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

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

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

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

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

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

(b) The local share amount for the school administrative unit calculated as the lesser of the debt service costs

and the school administrative unit's fiscal capacity multiplied by .50 mills.

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

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

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

**Sec. 20. Transportation.** To ensure greater equity and adequacy in providing transportation services, beginning in fiscal year 2005-06, transportation costs must be included in the essential programs and services operating costs calculations and be based on school administrative unit pupil transportation densities and adjustments for in-district and out-of-district required special education and vocational education transportation costs and may include other factors that respond to unique costs in some school administrative units. Beginning in fiscal year 2005-06, an appeals process to determine exceptions to the transportation operating cost for a school administrative unit must be implemented. All appeals must include, but may not be limited to, an analysis of cost efficiency and a cost comparison with school administrative units having comparable pupil transportation density indices.

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

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

See title page for effective date.



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# 121st MAINE LEGISLATURE

## SECOND SPECIAL SESSION-2004

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Legislative Document

No. 1924

S.P. 761

In Senate, March 10, 2004

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

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator DOUGLASS of Androscoggin. (GOVERNOR'S BILL)  
Cosponsored by Representative CUMMINGS of Portland and  
Senator: MITCHELL of Penobscot, Representatives: FISCHER of Presque Isle, LEDWIN of  
Holden, MILLS of Cornville.

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

2  
4       **Sec. 1. 20-A MRSA §15603, sub-§11-A**, as enacted by PL 1993, c. 410, Pt. F, §13, is amended to read:

6       **11-A. Fiscal capacity.** "Fiscal capacity" means the ability  
8 of a municipality to raise property tax revenues. For each year  
10 of funding, fiscal capacity is measured as the average of the  
12 state valuation amounts for the 2 most recent years prior to the  
14 year of funding. For fiscal year 1993-94 and fiscal year 1994-95  
16 only, if the most recent state valuation amount is less than the  
18 average of the 2 most recent state valuation amounts, the fiscal  
20 capacity of the municipality is considered to be the state  
valuation for the most recent year. Beginning in fiscal year  
2005-06, "fiscal capacity" means the certified state valuation  
for the year prior to the most recently certified state  
valuation. The fiscal capacity of a school administrative  
district or a community school district is the sum of the fiscal  
capacity amounts of its member municipalities.

22       **Sec. 2. 20-A MRSA §15603, sub-§26-A, ¶B**, as enacted by PL  
1993, c. 410, Pt. F, §15, is amended to read:

24       B. "Actual local program costs" includes the following:

26               (1) Bus purchase costs as defined in subsection 7;

28               (2) Early childhood educational program costs as  
defined in subsection 10;

30               (3) Special education costs as defined in subsection  
32 22;

34               (4) Transportation operating costs as defined in  
36 subsection 29, This subparagraph is repealed July 1,  
2005; and

38               (5) Vocational education costs as defined in  
40 subsection 30.

42       **Sec. 3. 20-A MRSA §15609, sub-§2** is enacted to read:

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

46       **Sec. 4. 20-A MRSA §15610, sub-§2** is enacted to read:

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

50       **Sec. 5. 20-A MRSA §15611, sub-§3** is enacted to read:

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

4           **Sec. 6. 20-A MRSA §15613, sub-§13,** as enacted by PL 1987, c.  
848, §10, is amended to read:

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

18           **Sec. 7. 20-A MRSA §15671, sub-§1,** as enacted by PL 2001, c.  
660, §1, is amended to read:

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

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

36           B. By fiscal year 2009-10 the state share of the total cost  
38 of funding public education from kindergarten to grade 12,  
as described by essential programs and services, must be  
40 55%. Beginning in fiscal year 2003-04 2005-06 and in each  
42 fiscal year until fiscal year 2007-08 2009-10, the-level-of  
the state share of-funding-attributable-to-the-cost-of-the  
compenents of essential programs and services described  
44 costs must increase toward the 50% 55% level of-eligible  
state--and--local--General--Fund--education--costs required in  
fiscal year 2009-10.

46  
48           Beginning in fiscal year 2003-04 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

2 recommended funding level for the state share of the cost of the  
components of essential programs and services.

4 **Sec. 8. 20-A MRSA §15671-A** is enacted to read:

6 **§15671-A. Property tax contribution to public education**

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

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

18 **B. "Local cost share expectation"** means the maximum amount  
of money for funding public education from kindergarten to  
20 grade 12 that may be derived from property tax.

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

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

38 **B. This paragraph applies to the calculation of the**  
full-value education mill rate. For property tax years  
40 beginning on or after April 1, 2005, the commissioner shall  
42 calculate the full-value education mill rate that is  
required to raise the total of the local cost share  
44 expectation. The full-value education mill rate is  
calculated by dividing the applicable tax year percentage of  
46 the projected cost of funding public education from  
kindergarten to grade 12 by the certified total state  
48 valuation for the year prior to the most recently certified  
total state valuation for all municipalities. The  
50

2 full-value education mill rate must decline over the period  
4 from fiscal year 2005-06 to fiscal year 2009-2010 and may  
6 not exceed 9.0 mills in fiscal year 2005-06 and may not  
8 exceed 8.0 mills in fiscal year 2009-10. The full-value  
10 education mill rate must be applied according to section  
12 15688, subsection 3, paragraph A to determine a  
14 municipality's local cost share expectation.

16 3. Exceeding maximum local cost share expectations;  
18 separate article. Beginning with the 2009-2010 school budget,  
20 the legislative body of a school administrative unit may adopt  
22 property tax rates that exceed the local cost share expectation  
24 established by section 15688, subsection 3, paragraph A if that  
26 action is approved in a separate article by a vote of the school  
28 administrative unit's legislative body through the same process  
30 that the school budget is approved in that school administrative  
32 unit.

34 **Sec. 9. 20-A MRSA §15672, sub-§23,** as enacted by PL 2003, c.  
36 504, Pt. A, §6, is amended to read:

38 **23. Property fiscal capacity.** "Property fiscal capacity"  
40 means the ~~lesser of the average of the~~ certified state valuation  
42 amounts amount for the ~~3 most recent years~~ year prior to the year  
44 ~~of funding and the state valuation amount for the~~ most recent  
46 year recently certified state valuation.

48 **Sec. 10. 20-A MRSA §15673,** as enacted by PL 2003, c. 504, Pt.  
50 A, §6, is repealed and the following enacted in its place:

52 **§15673. Relationship to School Finance Act of 1985**

54 The provisions of chapter 606 apply for the purposes of  
56 calculating the total allocations for program costs and debt  
58 service and for the purposes of calculating adjustments under  
60 section 15612 and miscellaneous reimbursements and subsidy under  
62 section 15613.

64 **Sec. 11. 20-A MRSA §15683, first ¶,** as enacted by PL 2003, c.  
66 504, Pt. A, §6, is amended to read:

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

76 **Sec. 12. 20-A MRSA §15683, sub-§3** is enacted to read:

78 **3. Transportation operating costs.** Transportation  
80 operating costs as defined in section 15603, subsection 29 must

2 be based on prior-year adjusted rates. In order to calculate  
3 adjusted rates, a predicted transportation cost for each school  
4 district based on district pupil transportation densities and the  
5 most recent fiscal year transportation expenditures available  
6 must be established. Predicted costs and actual expenditures per  
7 pupil must be increased 10% to yield an adjusted predicted cost  
8 rate and an adjusted expenditure rate per pupil. The essential  
9 programs and services transportation operating cost per pupil  
10 beginning fiscal year 2005-06 is an amount equal to a school  
11 district's adjusted cost or adjusted expenditure per pupil rate,  
12 whichever is lower.

13  
14 A. In no case may the essential programs and services  
15 transportation operating cost per pupil be less than 75% of  
16 the allocation for the previous year for fiscal years  
17 2005-06 and 2006-07. Beginning in fiscal year 2006-07,  
18 individual school district essential programs and services  
19 transportation operating costs must be based on previous  
20 year's adjusted rates, plus an inflation adjustment.

21  
22 B. Beginning in fiscal year 2005-06, an appeals process to  
23 determine exceptions to the adjusted rates must be  
24 implemented. All appeals must include an analysis of cost  
25 efficiency and a cost comparison with school districts  
26 having comparable pupil transportation density indices.

27 **Sec. 13. 20-A MRS §15684, sub-§3 is enacted to read:**

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

29  
30 **Sec. 14. 20-A MRS §15686, as enacted by PL 2003, c. 504, Pt.**  
31 **A, §6, is amended to read:**

32  
33 **§15686. Transition adjustment**

34  
35 For each of the fiscal years described in section 15671,  
36 subsection 7, the commissioner shall establish a transition  
37 adjustment calculated to minimize the adverse fiscal impact  
38 directly---related---to that may be experienced by some  
39 municipalities as a result of the phase-in of this Act. The  
40 transition adjustment for a municipality must be directly related  
41 to the phase-in of essential programs and services and the local  
42 cost share expectation method under section 15671-A of  
43 determining the local contribution to the cost of funding  
44 essential programs and services. The amount of this adjustment  
45 must decline with each successive fiscal year, and the  
46 adjustments must end no later than fiscal year 2009-10.  
47

48  
49 **Sec. 15. 20-A MRS §§15688 and 15689 are enacted to read:**  
50

2 §15688. School administrative unit contribution to total cost of  
3 funding public education from kindergarten to grade 12

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

8  
9  
10 A. The school administrative unit's total cost of funding  
11 essential programs and services subject to the transition  
12 percentages described in section 15671, subsection 7,  
13 paragraph A;

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

15 C. The debt service allocation as used in chapter 606.

16  
17 2. Member municipalities in school administrative districts  
18 or community school districts; total costs. For each  
19 municipality that is a member of a school administrative district  
20 or community school district, the commissioner shall annually  
21 determine each municipality's total cost of education. A  
22 municipality's total cost of education is the school  
23 administrative district's or community school district's total  
24 cost of funding multiplied by the percentage that the  
25 municipality's most recent calendar year average pupils is to the  
26 school administrative district's or community school district's  
27 most recent calendar year average pupils.

28  
29 3. School administrative unit; contribution. For each  
30 school administrative unit, the commissioner shall annually  
31 determine the school administrative unit's contribution in  
32 accordance with the following.

33  
34  
35 A. The school administrative unit's contribution to the  
36 total cost of education is the lesser of:

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

39  
40 (2) The total of the full-value education mill rate  
41 calculated in section 15671-A, subsection 2 multiplied  
42 by the certified state valuation for the year prior to  
43 the most recently certified state valuation for each  
44 municipality in the school administrative unit.

45  
46  
47 B. The school administrative unit's state contribution to  
48 the total cost of education is the total cost of education  
49 calculated pursuant to subsection 1 less the school

2 administrative unit's contribution calculated pursuant to  
paragraph A.

4 4. Effective date. This section takes effect July 1, 2005.

6 §15689. Adjustments to state share of total allocation

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

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

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

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

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

32 2. Adjustment for debt service grandfather clause. Each  
34 school administrative unit may receive an adjustment for a debt  
service grandfather clause determined as follows:

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

38 (1) The school administrative unit's local share  
40 results in a mill rate expectation less than the local  
cost share expectation as described in section 15671-A.

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

48 B. The amount of the adjustment is the difference, but not  
less than zero, between the state share of the total

2 allocation under this chapter and the amount computed as  
3 follows:

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

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

13 (b) The local share amount for the school  
14 administrative unit calculated as the lesser of  
15 the debt service costs and the school  
16 administrative unit's fiscal capacity multiplied  
17 by .50 mills.

18  
19  
20 **3. Adjustment limitations.** The amounts of the adjustments  
21 paid to school administrative units or municipalities in  
22 subsections 1 and 2 are limited to the amounts appropriated by  
23 the Legislature for these adjustments.

24  
25 **Sec. 16. Basis for funding costs of education from kindergarten to**  
26 **grade 12.** Notwithstanding any other provision of law, beginning  
27 in fiscal year 2005-06, funding of the costs of education from  
28 kindergarten to grade 12 must be based on the cost of providing  
29 essential programs and services as described in the Maine Revised  
30 Statutes, Title 20-A, chapter 606-B.

31  
32 **Sec. 17. Special education.** To ensure greater consistency in  
33 providing special education services, beginning in fiscal year  
34 2004-05, state-approved guidelines must be utilized in the  
35 identification of children requiring special education services.  
36 Beginning in fiscal year 2004-05, the Department of Education  
37 shall provide to school administrative units training in the  
38 application of the state-approved identification guidelines and  
39 shall conduct periodic reviews to ascertain compliance in the  
40 application of the state-approved guidelines. To ensure greater  
41 equity and efficiency in the use of special education resources,  
42 beginning in fiscal year 2005-06, special education costs must be  
43 included in the essential programs and services operating cost  
44 calculations and be based on a special education funding formula  
45 that adheres to the 4 principles of being cost-based, equitable,  
46 flexible and identification-neutral. The funding formula must  
47 include provisions for providing supplemental funds for school  
48 districts with extraordinary expenses associated with high-cost

2 in-district and out-of-district special education services and  
programs.

4 **Sec. 18. Early childhood and vocational education.** To ensure  
6 greater equity of education opportunities and efficiency in the  
use of early childhood and vocational education resources,  
8 beginning no later than fiscal year 2007-08, early childhood  
program costs and vocational education program costs must be  
10 included in the essential programs and services operating cost  
calculations.

12  
14 **SUMMARY**

16 The bill provides that by fiscal year 2009-10 the state  
share of kindergarten to grade 12 education funding, as described  
by essential programs and services, must be 55%. It also  
18 establishes a local cost share expectation for property tax years  
beginning on or after April 1, 2005. The Commissioner of  
20 Education shall annually notify each school administrative unit  
of its expectation. This expectation must decline over the  
22 period from fiscal year 2005-06 to fiscal year 2009-10. The  
expectation may not exceed 9.0 mills in fiscal year 2005-06. It  
24 may not exceed 8.0 mills in fiscal year 2009-10. The legislative  
body of a school administrative unit may not adopt a property tax  
26 rate that exceeds its mill expectation unless, in a vote separate  
from its adoption of the school budget, it votes to increase the  
28 property tax rate.

30 The bill also places transportation operating costs into the  
essential programs and services funding formula. It also states  
32 that special education costs will be included in essential  
programs and services starting in fiscal year 2005-06. Beginning  
34 in fiscal year 2004-05, the Department of Education will provide  
training in state-approved guidelines for identification of  
36 special education students. The bill also places early childhood  
education program costs and vocational education program costs  
38 into essential programs and services no later than fiscal year  
2007-08.

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DATE: 4-16-04

(Filing No. S- 545)

TAXATION

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STATE OF MAINE  
SENATE  
121ST LEGISLATURE  
SECOND SPECIAL SESSION

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

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

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

§1677. Municipal Budget Analysis Committee; established; membership

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

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

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

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

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- 2            C. The State Budget Officer or the State Budget Officer's  
              designee;
- 4
- 6            D. The Director of the Bureau of Revenue Services within  
              the Department of Administrative and Financial Services or  
              the director's designee;
- 8
- 10           E. A representative of a statewide organization that  
              represents the interests of municipal governments, appointed  
              by the Governor; and
- 12
- 14           F. A representative of a statewide organization that  
              represents the interests of public school educators,  
              appointed by the Governor.

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

18

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

- 36           A. The total state and municipal spending for public  
              education services for kindergarten to grade 12;
- 38
- 40           B. The total costs of the essential programs and services  
              described in Title 20-A, section 15671;
- 42
- 44           C. The total state appropriation for public education  
              services for kindergarten to grade 12; and
- 46           D. The total local property tax commitment to support the  
              provision of public education services for kindergarten to  
              grade 12, municipal services and the local share of the  
              county budget apportioned pursuant to Title 30-A, section  
              706.

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

8           A. For fiscal year 2006-07:

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

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

20           B. For fiscal year 2007-08:

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

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

32           C. For fiscal year 2008-09:

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

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

44           D. For fiscal year 2009-10:

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

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

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

- A. The information developed by the Department of Education in accordance with subsection 2;
- B. A progress report of the actions of state and local officials in accomplishing the benchmarks and performance indicators specified in subsection 3; and
- C. Analyses of and findings with respect to the relevant factors, including any extenuating or exceptional circumstances, that contributed to the accomplishment or failure to accomplish the benchmarks and performance indicators specified in subsection 3 by state and local officials.

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

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

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

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

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

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

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

valuation. The fiscal capacity of a school administrative district or a community school district is the sum of the fiscal capacity amounts of its member municipalities.

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

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

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

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

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

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

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

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

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

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

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

2013

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

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

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

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

21 (1) For fiscal year 2005-06, the target is 49% 52.6%.

22 (2) For fiscal year 2006-07, the target is 49.25%  
23 52.6%.

24 (3) For fiscal year 2007-08, the target is 49.50% 53%.

25 (4) For fiscal year 2008-09, the target is 49.75% 54%.

26 (5) For fiscal year 2009-10 and succeeding years, the  
27 target is 50% 55%.

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

29 **§15671-A. Property tax contribution to public education**

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

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

100

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

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

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

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

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

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

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

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

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

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

38 Sec. 12. 20-A MRSA §15672, sub-§23, as enacted by PL 2003, c.  
40 504, Pt. A, §6, is amended to read:

42 23. Property fiscal capacity. "Property fiscal capacity"  
44 means the lesser-of-the-average-of-the certified state valuation  
46 amounts amount for the 3-most-recent-years year prior to the year  
48 of-funding-and-the-state-valuation-amount-for-the most recent  
year recently certified state valuation.

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

§15673. Relationship to School Finance Act of 1985

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

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

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

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

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

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

8           **§15686. Transition adjustment**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## SUMMARY

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

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

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

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

10  
3. It delays the requirements for school administrative  
12 units and certain private high schools to implement standards in  
the content areas of mathematics, English language arts, health  
14 and physical education, science and technology and social  
studies, including the requirement that high school graduation be  
16 determined by student achievement of the standards for these  
content areas, by one year to the 2007-2008 school year. It also  
18 delays the requirements that school administrative units  
implement standards in the content areas of career preparation,  
20 foreign languages and visual and performing arts by one year to  
the 2007-2008 school year.

22  
4. It deletes the section of the bill that proposes to  
24 place transportation operating costs into the essential programs  
and services funding model and instead incorporates an  
26 unallocated section that provides that transportation operating  
costs must be placed in the essential programs and services  
28 funding model beginning in fiscal year 2005-06 and must include  
adjustments to the proposed calculation of these operating costs  
30 to reflect the transportation of special education students and  
vocational education students and other factors that respond to  
32 unique costs in some school administrative units. This section  
also provides that the proposed appeals process may also include  
34 analyses of other factors beyond cost efficiency and a cost  
comparison with comparable units.

36  
5. It provides a technical amendment to the definition of  
38 "local cost share expectation" to clarify that this expectation  
is directly related to the school administrative unit's  
40 contribution to the "total cost of education" as determined by  
the Commissioner of Education.

42  
6. It provides a technical amendment to clarify that the  
44 calculation of the full-value education mill rate is derived from  
an annual local share percentage beginning in fiscal year 2005-06  
46 and concluding in fiscal year 2009-10.

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

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

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

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

**FISCAL NOTE REQUIRED**  
(See attached)



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

**LD 1924**

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

**LR 2783(02)**

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

**Committee: Taxation**

**Committee: Education and Cultural Affairs**

**Fiscal Note Required: Yes**

**Fiscal Note**

	2003-04	2004-05	Projections 2005-06	Projections 2006-07
<b>Net Cost (Savings)</b>				
General Fund	\$0	\$0	\$ 55,339,199	\$ 54,232,466
<b>Appropriations/Allocations</b>				
General Fund	\$0	\$0	\$ 55,339,199	\$ 54,232,466

**Fiscal Detail and Notes**

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

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

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

The following table provides estimates for the total State and Local Operating Cost of funding education based on the Essential Programs and Services model and provides a comparison of the General Fund appropriations that are estimated to be needed to fund the state's share of the cost of funding K-12 education based on the State's contribution reaching 50% in fiscal year 2009-10, as approved in Public Law 2003, c. 504, versus the 55% State contribution by fiscal year 2009-10 proposed in this legislation.

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

	<u>Base Year</u> <u>2003-04*</u>	<u>2004-05*</u>	<u>Projections</u> <u>2005-06</u>	<u>Projections</u> <u>2006-07</u>
Total State & Local Operating Cost allocation based on EPS model (100%)	1,256,951,694	1,260,260,954	1,270,125,664	1,285,714,652
EPS Transition Percentage	80.82%	82.00%	84.00%	88.00%
Adjusted Total Operating Allocation based on EPS model approved in P.L. 2003, c. 504	1,015,819,375	1,033,413,982	1,066,905,558	1,131,428,894
Total State & Local cost based on EPS funding model approved in P.L. 2003, c. 504 (includes program costs, debt service and adjustments)	1,467,408,432	1,518,173,106	1,537,199,970	1,618,879,5
State Share Targets to fund K-12 education based on EPS model approved in P.L. 2003, c. 504	49.89%	47.81%	49.00%	49.25%
State Share Targets to fund K-12 education based on EPS model in LD 1924	49.89%	47.81%	52.60%	52.60%
Estimated General Fund appropriation needed to fund K-12 education based on EPS model approved in P.L. 2003, c. 504			753,227,985	797,298,197
Estimated General Fund appropriation needed to fund K-12 education based on LD 1924			808,567,184	851,530,664
Additional General Fund Appropriation required to fund EPS model in LD 1924 vs. P.L. 2003, c. 504			55,339,199	54,232,466

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

DATE: 4-27-04

(Filing No. S-550)

Reproduced and distributed under the direction of the Secretary of the Senate.

STATE OF MAINE  
SENATE  
121ST LEGISLATURE  
SECOND SPECIAL SESSION

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

Amend the amendment in section 1 in that part designated "~~§1677.~~" by striking out all of subsections 3 and 4 and inserting in their place the following:

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

A. For fiscal year 2006-07:

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

(2) The projected performance indicator for the related reduction in local property tax commitment to fund the cost of the essential programs and services described in Title 20-A, section 15671 is a local property tax commitment that is less than the local property tax commitment made in fiscal year 2005-06.

B. For fiscal year 2007-08:

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

2           (2) The projected performance indicator for the  
4           related reduction in local property tax commitment to  
6           fund the cost of the essential programs and services  
8           described in Title 20-A, section 15671 is a local  
          property tax commitment that is less than the local  
          property tax commitment made in fiscal year 2006-07.

10           C. For fiscal year 2008-09:

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

16           (2) The projected performance indicator for the  
18           related reduction in local property tax commitment to  
20           fund the cost of the essential programs and services  
          described in Title 20-A, section 15671 is a local  
          property tax commitment that is less than the local  
          property tax commitment made in fiscal year 2007-08.

22           D. For fiscal year 2009-10:

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

28           (2) The projected performance indicator for the  
30           related reduction in local property tax commitment to  
32           fund the cost of the essential programs and services  
34           described in Title 20-A, section 15671 is a local  
          property tax commitment that is less than the local  
          property tax commitment made in fiscal year 2008-09.

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

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

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





# Maine School Superintendents Association

"Better Schools for Maine Students"

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**TO:** MSSA Executive, Legislative and Funding Committees

**FROM:** Terry Despres, Chair, MSSA Legislative Committee  
Len Ney, Chair, MSSA Funding Committee

**DATE:** March 30, 2004

**RE:** Update on L.D. 1924 - "An Act to Reduce the Cost of Local Government Through Increased State Education Funding and Provide Property Tax Relief" (Governor's Bill)

L.D. 1924 was heard by the Taxation and Education Committees on March 18, 2004. The Legislative and Funding Committees of MSSA took a "neither for nor against" position on this bill because of numerous questions, issues, and concerns with specific items within the proposal. Superintendent of Schools Michael Cormier (MSAD 9, Farmington) offered testimony on behalf of MSSA as well as the Legislative Committee of MSBA. Following that hearing and two work sessions on the bill, members of the MSSA Funding and Legislative Committees met with Jim Rier of the Department of Education to discuss the points in our testimony and to try to clarify areas of concern around the issues we raised.

On Friday, March 26, 2004, we had a very lengthy and productive meeting with Mr. Rier and want to share with members of the MSSA Executive, Funding and Legislative Committees the outcomes and understandings of this meeting.

## ISSUE 1:

### THE ELIMINATION OF THE CURRENT 3-YEAR AVERAGING OF STATE VALUATIONS

We raised this issue because the Association has long supported the averaging of state valuations in order to mitigate spikes in such valuations. The EPS mil rate cap proposal utilized in L.D. 1924 would use the "most recently certified state valuation". This valuation would be used to determine the mil rate cap for each municipality, currently estimated by the department to be 8.55 mils, which would be the maximum required to be raised to support those expenditures which are contained within the EPS model. After considerable discussion, we were assured that this use of the most recent certified valuation would not disadvantage municipalities. Also, using any averaging of two or three years would result in a higher required mil effort for all systems.

**ISSUE 2:**

**FEDERAL FUNDS**

We raised questions relative to some very broad language around the use of federal funds contained in already enacted EPS legislation. We were particularly concerned with how the Department intends to translate the language of "provided and accounted for" concerning federal funds and their relationship to the Essential Programs and Services Model. We were informed by the Department of Education that interpretation of this language is a work in progress and therefore our committees will continue to monitor this issue carefully.

**ISSUE 3:**

**RAMPLESSNESS AND THE 55% STATE SHARE**

While the bill calls for a 55% state share of EPS in FY 2009-10, there is no defined ramp contained within this bill and we continue to be very concerned about the lack of a specified dollar amount of increase in the state allocation committed to each year through FY 2010. We are also concerned about this issue in light of the significant increase that will be necessary to support the 55% state share. We believe that without specific dollar amounts attached to each year of the ramp, the commitment to 55% may be more difficult to fulfill.

**ISSUE 4:**

**TAX AND SPENDING CAP LANGUAGE CONTAINED WITHIN SECTIONS OF THE BILL**

The bill, as it was originally written appears to create both a spending cap and property tax cap for education at the local level from 2005 to 2009, then beginning in FY 2010 the legislative body of a school unit may adopt property tax rates that exceed the mil rate cap. We were assured by Director Rier that this was an error in drafting and would be corrected prior to the bill coming out of committee.

**ISSUE 5:**

**NEW EPS TRANSPORTATION FUNDING MODEL**

We stated our concerns about the impact that the EPS transportation model, already adopted by the State Board of Education, could have on school administrative units. We pointed out that it is not clear what transportation expenses are included or excluded from this model with particular concern raised about special education and vocational education transportation. During our testimony we requested that the Department provide printouts so that each school unit could examine the impact of this proposed system. Also, while the transportation model provides for an appeals mechanism, it appears that a significant number of schools would be forced to use this appeals process and we asked that the model be reexamined and revised to minimize the need for such appeals. We were informed by Director Rier that the Department, the researchers and the State Board will continue to examine the specific elements of the transportation model and that modifications will be forthcoming.

**ISSUE 6:**

**TRANSITION ADJUSTMENT**

The bill provides for a transition adjustment to minimize "the adverse fiscal impact that may be experienced by some municipalities as the result of the phase-in of this Act". Our testimony called for outlining both the details of and the amount of funding that would be required for this transition adjustment in order for us to fully understand its implications. Based on conversations with Mr. Rier, we were informed that the impact for most units should be minimal. We are awaiting printouts to confirm this.

**ISSUE 7:**

**SPECIAL EDUCATION - EPS MODEL**

In our testimony we indicated that we were strongly opposed to the enactment of unallocated special education language into law. We also raised questions with the requirement that new state approved guidelines for the identification of children requiring special education services be put into effect in the school year 2004 - 2005. Until such time as a specific proposal is put forth and its impacts are fully determined, no mandated language should be put into law.

Based on our continuing conversations with Director Rier and other department staff, we continue to hold these positions. We have some hope that there may be a modification in the guideline use implementation timeline.

**ISSUE 8:**

**EARLY CHILDHOOD AND VOCATIONAL EDUCATION**

We advocated that these two significant areas undergo a detailed study prior to enactment with the results of each study to be shared with the school units and the legislature prior to any implementation.

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The above is an attempt to capture the most significant issues in L.D. 1924 and our understanding of the Departments position at this point in the legislative process. Since both the Education and Taxation committees are involved in working this bill, it is very difficult to predict what the final outcome will be. We do know that a number of the important details that will determine the success of the EPS Model have yet to be developed and communicated. We also know that there will be several transition issues associated with the model that will have to be dealt with in order to have a final EPS product that is explainable, defensible, and has long-term integrity.

**Testimony In Favor Of  
LD 1924**

by

**The Maine Coalition for Excellence in Education**

Joint Standing Committees on Taxation and Education & Cultural Affairs

March 18, 2004

My name is Peter Geiger, I am an executive with Geiger Bros. in Lewiston and the current Chair of the Maine Coalition for Excellence in Education. I am here on behalf of the Coalition to testify in support of LD 1924, An Act To Reduce the Cost of Local Government through Increased State Education Funding and Provide Property Tax Relief.

The Maine Coalition for Excellence in Education, named 2000 Business Coalition of the Year by the National Alliance of Business, is a private, non-profit statewide partnership of nearly fifty individuals from business, education, government and the community who are committed to continuous improvement in the way we prepare our children for the future. We were instrumental in the development of Maine's Learning Results, and the Coalition's work continues to focus on the implementation of Maine's Learning Results through *Success Begins with Education*, a plan that assures that all Maine children will leave high school with the confidence and skills necessary to lead satisfying and productive lives.

The Coalition's mission and the passion of our members is in supporting education from birth to grade 12; we are not expert in either economic development or tax reform. So I will focus my comments on why LD 1924 is important for Maine schools, Maine youth, and the achievement of high educational standards.

Let me speak first about the content of LD 1924, and then say a few words about the equally important context for this piece of legislation.

First and foremost, LD 1924 builds on the critical, innovative school funding approach of Essential Programs & Services, the only funding model that is tied to the resources needed to achieve Maine's Learning Results. Essential Programs, after six years of work by the State Board of Education and Maine's best education researchers, was endorsed in concept by the Legislature in 2001, and adopted in detail last year in LD 1623. Essential Programs takes the "radical" view that the resources behind each and every child should be determined by what the evidence tells us is needed to give students the opportunity to meet the high standards we have set for them. Unlike many other tax reform proposals that have been advanced, LD 1924 affirms, reinforces, and builds off the critical foundation of Essential Programs & Services, and thus truly advances the cause of education reform not just tax reform.

LD 1924 focuses on the equity of resources behind *each and every student* – rather than other proposals that simply pump more State funds into the system statewide in hopes that the dollars find their way to the schools and students with the greatest needs. The amount spent per pupil currently ranges from about \$5000 per pupil to \$8500 per pupil, and this intolerable disparity must be addressed directly not left to chance.

Importantly, LD 1924 further advances the work in two crucial areas of Essential Programs & Services that were not fully developed in the initial model: efforts to rationalize the cost structures in the state for transportation and for special education services. Research has shown clearly that both total costs and cost per unit of service vary widely and without ready explanation even among similarly situated school districts. While there is perhaps no perfect resolution to these issues, LD 1924 advances the

ball significantly in putting in place a clear, research-based approach to funding transportation, and requiring the same to be developed for special education – one of the largest and fastest growing areas of school expenditures. In contrast, Question 1A may prove particularly counterproductive in this area, as its proposal to provide 100% State funding for special education will further reduce incentives for consistency and cost containment reduction in this arena.

One of the most significant advantages of Essential Programs & Services is that it is adequacy-based: it seeks to calculate and fund schools at per-pupil levels that are adequate to achieve an external standard, the Learning Results. This significantly differentiates an approach derived from EP&S in that a 55% State share of EP&S represents a determined and fixed amount of required educational expenditure based on the defined EP&S financial model. Local communities are allowed to spend more if they choose but with no additional State subsidy. Other pending proposals contain no clear definition or limits on local spending so the State obligation to fund 55% of local costs has no limit and the amount is unknown.

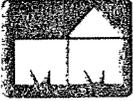
The Coalition has focused primarily on equity for each student – but the equity for students must be arrived at with equity for the taxpayers of our communities. That is the basic mission of any “fair” school funding system. LD 1924 puts a limit of no more than 9 mills on local tax effort for education. This is less than the current State average of approximately 12 mills for education. Question 1A does not contain any direct limitation on how much individual local communities would have to raise through property taxes, but seeks to do so only indirectly through higher State funding.

Finally, it is important to note that the very last section of the bill, while seemingly modest, may in the end prove to be the most far-reaching and significant from an educational standpoint. Section 18 provides that by 2007-08, early childhood program costs will be included in Essential Programs & Services. While the shape of this is not yet clear and much more work is still needed, in our view this may be an ideal mechanism to move closer to universal preschool programming across our State, with a funding approach that would equitably support such a development. Access to quality early childhood development experiences is one of the seven goals of the Coalition. The research is clear that early cognitive development and literacy are the building blocks for all subsequent academic success.

The educational components of LD 1924 are important enough, in our view, that if a compromise is crafted or some other proposal is ultimately adopted by the Legislature or Maine voters, we urge you to incorporate these truly beneficial attributes of LD 1924 in the final package.

In closing, let me say a few words about the context for this piece of legislation, and the much broader issue of taxes and education. While we believe strongly in the elements of this bill, above all we are convinced that the tax cap proposal advanced by Ms. Palesky and MTAN would be devastating for Maine’s schools and our children, and could set back our education reform work in this State by a generation or more. Like many, we are deeply concerned about whether the package advanced by the Governor provides – or will be perceived to provide – robust enough tax reform to blunt public support for more extreme measures that would devastate our schools. While that is a political question, not an educational one, we urge the Administration and the Legislature to seize upon the valuable elements of LD 1924, but be sure these elements move forward in the context of a total tax reform package that can appeal to the broad mainstream of Maine voters and will serve the best interests of both students and taxpayers.

Thank you for your consideration.



## Maine Municipal Association

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Testimony of the Maine Municipal Association  
Neither For Nor Against LD 1924  
*An Act To Reduce the Cost of Local Government through Increased State Education  
Funding and Provide Property Tax Relief*  
March 18, 2004

Senator Stanley, Representative Lemoine, members of the Taxation Committee. My name is Geoff Herman and I am testifying neither-for-nor-against LD 1924 on behalf of the Maine Municipal Association.

The Essential Programs and Services (EPS) school funding model is at a very critical juncture. EPS could become an extremely powerful tool that school boards, selectmen and city councils, legislators and the general public will use to evaluate school budgets according to rational benchmarks.

Or EPS can fall into the same state of disrespect that characterizes the state's current school funding "allocation" and distribution systems.

MMA's neither-for-nor-against testimony should not be understood to reflect municipal indifference with regard to the outcome of this legislation. The movement toward the implementation of an effective Essential Programs and Services school funding model should be encouraged, as should the initiation of the mill rate expectation system. In addition, the recognition of EPS transition issues, such as retaining the state's debt service commitments and some form of the minimum subsidy system, need to be dealt with up front to allow this new school funding distribution system to clear political obstacles and become effective. For these reasons, the structure of LD 1924 provides a good starting point.

On the other hand, municipal officials strongly object to several elements of this transition plan.

- There is absolutely no defined state commitment to K-12 public education until the year 2010;
- There several other transition issues that need to be addressed in order to successfully implement the EPS system; and
- The proposed EPS modeling of transportation costs, to the extent it is even comprehensible as outlined in LD 1924, can be easily perceived as

the beginning of the process of codifying what is and what is not "essential" in a manner calculated to reduce the state's exposure to the real costs of K-12 education. If we are not careful, the EPS system will begin to be obsessively over-modeled into a sham.

**Ramplessness.** LD 1924 promises that the state will be providing 55% of the EPS model six years from now. There is nothing in the legislation to indicate what level of financial contribution the Legislature is willing to commit to public education for FY 05, FY 06, FY 07, FY 08 and FY 09. From the municipal side, this state of ramplessness is unacceptable. Now that the model has been constructed, it is extraordinarily frustrating to municipal officials to observe an unwillingness on the part of the state to articulate its financial commitment to that model. A significant component of the property tax burden in Maine is controlled by the state's financial contribution to public education. In the absence of defined state commitments to education, all other property tax relief proposals are ephemeral.

We would ask the Committee to insert into LD 1924 a coherent schedule of state commitments to move the state in a straight-line ramp from its current contribution rate of 42% of the total K-12 allocation to 55% of the EPS model by FY 2010. As measured against the EPS model at 100%, our recommended state funding percentages are 46.5% in FY 06, 48% in FY 07, 50% in FY 08, 52.5% in FY 09 and 55% in FY 10. In order to initiate that ramp in an orderly way, the GPA appropriation for FY 05 should be \$770 million, a \$40 million increase over the FY 04 appropriation. A very important part of that ramp-construction effort would be to replace the word "target" with the word "commitment" wherever it appears throughout current law regarding state financial "intentions" to fund EPS.

In short, funding the EPS model properly is a key to its political acceptance and ultimate effectiveness.

**Transition issues.** The implementation of the mill rate expectation system will result in some very significant negative financial impacts on many school administrative units and the municipalities in which they are located. Specifically, school systems within tax jurisdictions that are able to raise their "EPS allocation" with a mill rate effort at or below the established mill rate expectations would be generally entitled to zero financial support from the state. Many of those school systems are not currently receiving zero financial assistance from the state, and the transition will be very difficult. A remarkable characteristic of the Legislature's "1B" competing measure is that it did not expressly address any of the transition issues. The control over those transitional problems, apparently, was going to be managed as they cropped up through the bureaucratic and political process.

The municipalities advocate a more transparent approach, so the transitional issues can be recognized from the outset and dealt with through a prospective, deliberative process.

LD 1924 addresses just two EPS transition issues: the retention of a minimum subsidy allocation system so that there will be some level of state support for K-12 education in all school administrative units...a provision of good faith. The bill also provides a system whereby the state will not end up dishonoring its previously arranged debt service commitments.

What follows is a list of additional “transition” issues that should be incorporated into LD 1924.

- **Cost-share arrangements.** LD 1924 would replace the cost-share arrangements among the municipalities participating in school districts (SADs or CSDs) with a state-imposed cost share arrangement. Specifically, each municipality’s cost-share would be the total school district’s EPS allocation multiplied by the percent of school student population from the participating municipality. In at least one school district, that will mean the participating municipality will have no financial obligation to the district, and in several others, the shift of financial burden this state-imposed cost sharing would cause among the towns within school districts is extremely significant and locally divisive. We need a plan to deal with that.
- **Small-school/enrollment decline adjustments.** Implementing the EPS model will have extremely sharp negative impacts to small school systems and school systems that are experiencing a sharp decline in student population. The model tends to treat decline in enrollment as though it should result in a directly proportional decline in budget, but anyone familiar with the actual provision of educational services knows that budget responses to declining enrollment take time. Therefore, transitional adjustments in this area are necessary.
- **The ongoing integrity of the EPS model.** There is an increasing concern among the people that directly provide educational services and those that raise the property tax resources to support public education that the integrity of the EPS model will not be able to withstand the political pressure to adjust the model’s bottom line. If the model is going to be accepted and put into use as an effective school budgeting tool, it is the municipal view that the school and municipal communities should have a formal and focused opportunity to give voice, periodically, to their concerns regarding the ongoing integrity of the EPS model.

**Transportation model.** An ever present concern with respect to the mill rate expectation system is that it creates an expectation that there is a legislatively-established mill rate cap in place whereby no municipality will have to levy more than (e.g.) 8 mills for education purposes. We all know that throughout the 6-year transition period envisioned in LD 1924 the "mill rate expectation" will be sending a false message because the state will not be recognizing the whole EPS model. Since the state will not be financially participating in the full EPS model under this plan until 2010, most municipalities will have to raise more than required by the "mill rate expectation" in order to provide the necessary level of educational funding as defined by EPS. For six years, by the very design of this law, the cap is a false cap, and that will become an information management problem local government will have to deal with.

Beyond that, however, there lies a deeper problem that is underscored by the plan in LD 1924 to move the transportation component into the EPS model.

If you can understand the language of Section 12 of LD 1924, you have a leg up on us. It appears to require the EPS model to reflect prior year "adjusted costs" in the first sentence, establish an option to use either "predicted costs" or "adjusted expenditures" in the second and third sentences, and then settles on a third option between "adjusted costs" or "adjusted expenditures" in the final sentence. The meaning of all of that is apparently controlled by a another document developed at the Muskie School.

The bottom line, however, is that the allowable per-pupil transportation costs will be calculated on the basis of number of students and road miles within the schools' territory. While that seems reasonable as far as it goes, it underscores the fact that no transportation out of the school's jurisdiction is deemed "essential", which reminds us that EPS does not consider field trips, class excursions, or interscholastic athletics as "essential". How many kids are motivated to stay in school and perform academically because of sports? Exactly how big are the chunks of fundamental K-12 education in the real, non-theoretical world that EPS dismisses as "nonessential"? How many unfunded state mandated school programs are not considered "essential" by EPS? (We know of one enacted in 2003 by this Legislature...the mandatory provision of gifted and talented programs.) To what degree are schools and municipalities being set up to fail by spending beyond the allegedly "rational" benchmarks of the model? How much of the EPS model turns a blind eye to the realities of educating children?

STATE OF MAINE

Interdepartmental Memorandum

March 16, 2004

To: Sen. Douglass, Sta 3 Sen. Mitchell, Sta 3  
Rep. Cummings, Seat 94 Rep. Fischer, Seat 70  
Rep. Ledwin, Seat 14 Rep. S.P. Mills, Seat 42

From:  Jerome D. Gerard, Acting Executive Director, Maine Revenue Services

Subject: LD 1924 – An Act to Reduce the Cost of Local Government through Increased State Education Funding and Provide Property Tax Relief

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The bill is intended to provide a statutory blueprint for increasing State support of Essential Programs and Services as they relate to public education. While our comments are normally limited to aspects of a bill directly related to the administration of Title 36, we will expand our comment perspective a bit in this instance.

36 MRSA, § 208-A provides a procedure for adjusting State Valuation when a sudden and severe disruption occurs in a municipality. If the provision contained in section 208-A, subsection 5, paragraph A, is not sufficiently clear relative to the use of the adjusted state valuation in Title 20 definitions of "fiscal capacity" and "property fiscal capacity", section 208-A should be so clarified.

It is unclear if municipal cost share obligations could be universally met in the face of the enactment of a tax limitation statute such as contained in LD 1893. Some thought should be given relative to appropriate adjustments to the state share of funding public education for Essential Programs and Services from kindergarten to grade 12 when less than the 'local cost share expectation' is raised locally.

The bill respects the local option to provide programs and services in addition to Essential Programs and Services. Costs for additive programs can be supported locally or, in the case of consolidated or administrative districts, in accordance with local district cost share agreements. It should be clear that the state would not participate in such additive program costs.

There is no impact on state tax revenue or tax administrative cost.

cc: Office of Fiscal & Program Review, Sta. 5 (e-mail)  
State Budget Officer, Station 58 (e-mail)  
Jane Lincoln, Executive Dept., Station 1  
Revisor's Office, Station 7 (e-mail)  
Clerk, Taxation Committee, Station 115 (20)  
Thomas Knowlton, Office of the AG, Sta. 6 (e-mail)  
Michael J. Allen, Econometric Research, MRS (e-mail)  
Commissioner, Department of Education, Sta. 23



# MAINE SCHOOL MANAGEMENT ASSOCIATION

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## TESTIMONY

L.D. #1924

### **“AN ACT TO REDUCE THE COST OF LOCAL GOVERNMENT THROUGH INCREASED STATE EDUCATION FUNDING AND PROVIDE PROPERTY TAX RELIEF”**

March 18, 2004

SENATOR STANLEY, SENATOR DOUGLASS, REPRESENTATIVE LEMOINE, REPRESENTATIVE CUMMINGS AND MEMBERS OF THE JOINT STANDING COMMITTEES ON TAXATION AND EDUCATION AND CULTURAL AFFAIRS, THIS TESTIMONY IS PRESENTED ON BEHALF OF THE LEGISLATIVE COMMITTEE OF THE MAINE SCHOOL BOARDS ASSOCIATION (MSBA) AND THE LEGISLATIVE AND FUNDING COMMITTEES OF THE MAINE SCHOOL SUPERINTENDENTS ASSOCIATION (MSSA).

OUR COMMITTEES HAVE EXAMINED THIS L.D. AND HAVE RAISED NUMEROUS QUESTIONS, ISSUES, AND CONCERNS RELATIVE TO SPECIFIC ITEMS WITHIN THE PROPOSED LEGISLATION. WITHOUT CLARIFICATION AND ANSWERS ADDRESSING THESE CONCERNS, WE ARE UNABLE TO SUPPORT THE BILL.

#### SECTION 1

- THIS LANGUAGE APPEARS TO ELIMINATE THE CURRENT THREE-YEAR AVERAGING OF STATE VALUATIONS, DESIGNED TO MITIGATE SPIKES IN STATE VALUATION.

#### SECTION 2

- B (4) - THIS REPEALS THE “CIRCUIT BREAKER” REIMBURSEMENT PROGRAM FOR TRANSPORTATION AND REPLACES IT WITH A NEW SYSTEM CREATED UNDER SUBSECTION 12 OF THIS BILL. WE HAVE SERIOUS CONCERNS ABOUT THE IMPACT THIS MAJOR CHANGE COULD HAVE ON INDIVIDUAL UNIT REIMBURSEMENT.

#### SECTION 3

- CANNOT LOCATE SUBSECTION 2.

#### SECTION 4

- CANNOT LOCATE SUBSECTION 2.

Ronald E. Barke

(over please)

## SECTION 5

- CANNOT LOCATE SUBSECTION 3.

## SECTION 7

1. WE ARE UNSURE HOW THIS LANGUAGE TREATS FEDERAL FUNDS. IT IS IMPORTANT THAT THIS BE FULLY CLARIFIED AND EXPLAINED.
- 1B. WE SUPPORT THE LANGUAGE REQUIRING THAT THE 55% COMMITMENT MUST BE MET BY 2009-10. OUR COMMITTEES ARE CONCERNED, HOWEVER, ABOUT WHAT COSTS WILL BE DEFINED WITHIN THE EPS MODEL AND WHAT COSTS ARE EXCLUDED FROM THE MODEL.

## SECTION 8

- 1A. NEEDS TO BE CLARIFIED AS TO HOW SUCH CURRENT PROGRAM COSTS (I.E. SPECIAL EDUCATION, TRANSPORTATION, AND VOCATIONAL EDUCATION) WILL SPECIFICALLY BE DEALT WITH. THIS LANGUAGE APPEARS TO ELIMINATE ANY TYPE OF CIRCUIT BREAKER REIMBURSEMENT WHICH SERVES AS A "SAFETY-NET" FOR MANY SCHOOL UNITS.
- 1B. THIS LANGUAGE LITERALLY SEEMS TO CREATE BOTH A SPENDING AND PROPERTY TAX CAP FOR EDUCATION AT THE LOCAL LEVEL (SEE ALSO SECTION 8, SUBSECTION 3).
- 2A. QUESTIONS WERE RAISED ABOUT THE IMPLICATION OF THE FEBRUARY 1 NOTIFICATION DATE.
- 2B. DOES THIS INCLUDE DEBT SERVICE, BOTH STATE AND LOCAL SHARED AND LOCAL ONLY?
  - ARE THE 9.0 AND 8.0 MILLS TO BE CONSIDERED CAPS THROUGH 2009 - 10?
3. WE QUESTION WHY THE OPTION TO EXCEED THE MAXIMUM LOCAL COST SHARE EXPECTATION IS DELAYED UNTIL 2009-10.

## SECTION 9

23. WE REITERATE OUR STRONG CONCERN REGARDING THE POTENTIAL EFFECTS OF ELIMINATING THE AVERAGING PROVISION ON VALUATIONS.

## SECTION 10

WHAT IS THE PURPOSE OF THIS LANGUAGE AND ITS NET EFFECT? THIS CLARIFICATION IS NECESSARY TO UNDERSTAND THE IMPACT.

SECTION 12

THIS SECTION PUTS INTO LAW THE EPS TRANSPORTATION LANGUAGE RECENTLY ADOPTED BY THE STATE BOARD OF EDUCATION. WE HAVE MAJOR CONCERNS ABOUT THE IMPACT THIS PROPOSAL WILL HAVE ON SCHOOL ADMINISTRATIVE UNITS. IT IS NOT ENTIRELY CLEAR WHAT TRANSPORTATION EXPENSES ARE ACTUALLY INCLUDED IN THIS MODEL (I.E. - SPECIAL EDUCATION AND VOCATIONAL EDUCATION). THE ISSUES OF BUS PURCHASES AND BUS LEASES NEED TO BE FULLY CLARIFIED.

WE SUGGEST THAT YOU REVIEW PRINTOUTS PREPARED BY THE DEPARTMENT OF EDUCATION IN ORDER TO EXAMINE THE IMPACT OF THIS PROPOSED SYSTEM.

WE WOULD REMIND YOU THAT TRANSPORTATION REIMBURSEMENT INCENTIVES WERE AN IMPORTANT PART OF THE SUCCESS OF THE SINCLAIR ACT THAT CREATED SCHOOL ADMINISTRATIVE DISTRICTS (SAD'S).

- 3B. WHAT WILL THE APPEALS PROCESS LOOK LIKE AND WHO WILL HEAR SUCH APPEALS?

SECTION 14

THE DETAILS AND FUNDING FOR THIS TRANSITION ADJUSTMENT NEED TO BE EXPLAINED AND UNDERSTOOD.

15688 1.A.

WE WOULD REMIND YOU THAT THE LANGUAGE IN SECTION 15671, SUBSECTION 7, PARAGRAPH A, ESTABLISHES PERCENTAGE TARGETS COMMENCING IN 2005-06 OF 84% OF THE COVERED COST. THE LANGUAGE OF SECTION 15688 IS POTENTIALLY MISLEADING WITHOUT UNDERSTANDING THE IMPLICATIONS OF SECTION 15671.

2. DOES THIS PRECLUDE ANY USE OF VALUATION FOR COST SHARING PURPOSES WITHIN SAD'S AND CSD'S, AND WILL THIS PRODUCE SERIOUS TAX BURDEN SHIFTS WITHIN THOSE UNITS? THIS ALSO APPEARS TO DO AWAY WITH THE THREE-YEAR AVERAGING OF STUDENT COUNTS TO CURRENT YEAR COUNTS ONLY.

15689-SUB 2.A.(2)

WHY WAS JANUARY 2005 SELECTED AS THE DATE AND HOW MANY SCHOOL UNITS ARE POTENTIALLY IMPACTED?

3. WHAT ARE THE IMPLICATIONS OF LIMITING THESE DEBT SERVICE ADJUSTMENTS?

(over please)

SECTION 17

WE ARE STRONGLY OPPOSED TO THE ENACTMENT OF UNALLOCATED SPECIAL EDUCATION LANGUAGE UNTIL SUCH TIME AS A SPECIFIC PROPOSAL IS CREATED AND ITS IMPACTS ARE FULLY DETERMINED.

SECTION 18

EARLY CHILDHOOD AND VOCATIONAL EDUCATION MUST UNDERGO A DETAILED STUDY PRIOR TO AN ENACTMENT.

OTHER

WE SUGGEST THAT DUE TO THE COMPLICATED NATURE OF THIS WORK, AND THE SIGNIFICANT IMPACT THAT IT WILL HAVE ON EVERY SCHOOL UNIT IN THIS STATE, YOU REQUEST THE DEPARTMENT OF EDUCATION TO PRODUCE PRINTOUTS DETAILING THESE IMPACTS PRIOR TO MAKING ANY FINAL DECISIONS REGARDING SCHOOL FUNDING IN MAINE.

ONE OF THE PRESS RELEASES ISSUED BY THE GOVERNOR'S OFFICE INDICATES THAT BY 2010, THE STATE WILL SAVE \$229 MILLION AND LOCAL PROPERTY TAX PAYERS WILL SAVE \$237 MILLION BY CONTROLLING SPECIAL EDUCATION AND TRANSPORTATION COSTS. THESE FIGURES PROJECT A \$466 MILLION SAVINGS OVER A FIVE-YEAR PERIOD, OR OVER \$93 MILLION PER YEAR IN THESE TWO AREAS ALONE. THIS RAISES THE QUESTION AS TO WHETHER OR NOT THE EPS SCHOOL FUNDING MODEL IS BEING TRANSFORMED INTO A SYSTEM DESIGNED PRIMARILY TO CONTROL COST RATHER THAN TO HONOR ITS ORIGINAL INTENT TO PROVIDE ADEQUATE AND EQUITABLE FUNDING FOR THE EDUCATION OF ALL MAINE CHILDREN.

TAXATION COMMITTEE AND EDUCATION COMMITTEE  
MARCH 18, 2004

Testimony of Martha Freeman, State Planning Director  
on

LD 1924, AN ACT to Reduce the Cost of Local Government through  
Increased State Education Funding and Provide Property Tax Relief

LD 1923, AN ACT to Increase Business Investment, Provide Expanded  
Property Tax Relief to Low-Income and Moderate-Income Homeowners and  
Cap Local and County Spending

Sen. Stanley, Sen. Douglass, Rep. Lemoine, Rep. Cummings, members of  
the Taxation and Education Committees. My name is Martha Freeman. I'm  
Director of the State Planning Office, representing the Administration in  
support of both LDs 1924 and 1923.

To be respectful of your time, you'll hear from me only once, and briefly.  
I've given you a handout that provides information about the Governor's  
bills. It was prepared by State Economist Laurie Lachance. When Laurie  
testifies later today, feel free to ask her any questions you have.

In a few minutes, Jim Rier of the Department of Education will speak to you about the details of LD 1924. Three other colleagues will speak to you about LD 1923 when that hearing occurs.

My part is to thank you for considering these Governor's bills, and to say this: The Governor believes that the path to more economic growth, job creation, and tax relief for Maine people is through spending reform.

- First and foremost, we need spending reform.
- We need to reduce Maine's tax burden.
- And we need to invest in job creation and educating our people for the 21<sup>st</sup> Century.

Just a few statistics paint the picture of the change we need to make:

The per capita income of Maine people is 10% below the national average.

The cost of doing business in Maine is 10% above the national average.

And our tax burden is 20% above the national average. We must increase income and lower costs.

Last year, the Legislature enacted a new approach to education funding. The Essential Programs and Services model gives every child, regardless of geography, equal educational opportunity. We must continue on this road. K-12 education in Maine must remain excellent, providing education for success in the world of today and tomorrow for all Maine children.

But we need to invest in quality education in this context:

- Student enrollments in Maine are declining. Between 2002 and 2010, we'll have lost 20,000 students.
- By 2025, pre-K through high school aged people will decrease from 26% of our population to 22%.
- While student enrollments have decreased 14% since 1979, administrators' ranks have increased 47%.
- All this, while our population of over 65 year-olds has been increasing and will continue to increase substantially.

For these and other demographic and economic reasons, the path of education funding we've been on—at the state and local levels—is not sustainable.

LD 1924 continues investment in quality education, while reducing education funding pressures on state and local budgets, in three ways:

- It commits the state to funding 55% of the cost of education by Fiscal Year 2010.
- It establishes a mil expectation level for the local share of education funding.
- And it begins to bring program costs into the EPS formula.

LD 1924 meets all three of the Governor's goals: It provides spending reform, it will reduce property tax burdens, and it permits investments to meet the needs of Maine people in the 21<sup>st</sup> Century.

LD 1923 also meets these goals. It addresses the property tax burdens of businesses and of Mainers who need relief the most, encourages business investment, and places limits on government budgets.

Thank you again for your attention to these Governor's proposals. If you'll indulge me, I have just a few final observations.

I believe we in Maine today must look at state, county, and municipal levels of government as one system providing services. We need to figure out how best to deploy our collective resources to reduce Maine people's total tax burden.

I'm convinced that, with Maine's demographics and changing economy, all levels of government must reduce spending. And all levels of government must be organized to deliver the services Maine people need today and tomorrow, not in the past.

I'm convinced our state needs economic investment—from business and government—to create jobs with better incomes that will help us maintain our character, quality of life, and ability to help others.

Spending reform and tax relief have taken up a lot of my time of late. That's been a good thing. It's been a pleasant—although at times, frustrating—experience.

I've had the privilege of working with many of you and other legislators. I've had the opportunity to explore the perspectives of the Maine Municipal Association and the Maine Education Association. Lately, I've had fruitful talks with the Chamber of Commerce, the Service Center Coalition, and the County Commissioners Association.

Through it all, I've sought the metaphor that describes what's happening to us in Maine. Clearly, we're on the cusp of some big changes. Change brings conflict, and confusion before clarity.

The metaphor that works for me is to think of us as one Maine family. That's corny, but for me it makes sense. Families evolve with time. The kids grow up and go off to college. Empty-nesters downsize. Careers change requiring new skills. Family members have different perspectives on what to do in the face of change.

In adaptive families, conflicts resolve, changes get made. The reality of the world around us is that Maine will change in the next few years—even the next few months—for good or ill. We can move that change in a good direction.

I believe the family of Maine expects all of us in Augusta—the Administration, the Legislature, and the lobby—to make changes, some of which are very hard. Like a family, we probably can't meet the desires of every member. But we can figure out what's best for the whole at this time in our lives together.

On spending reform, tax relief, and investments in education and jobs, I believe we can make needed changes, even in these closing weeks of the legislative session.

Thank you for this opportunity to testify. I'd be happy to answer any questions I can.

# **Background Information on LD 1923 and LD 1924**

Prepared by:

Laurie G. Lachance, State Economist

For:

Joint Standing Committees on Taxation and Education

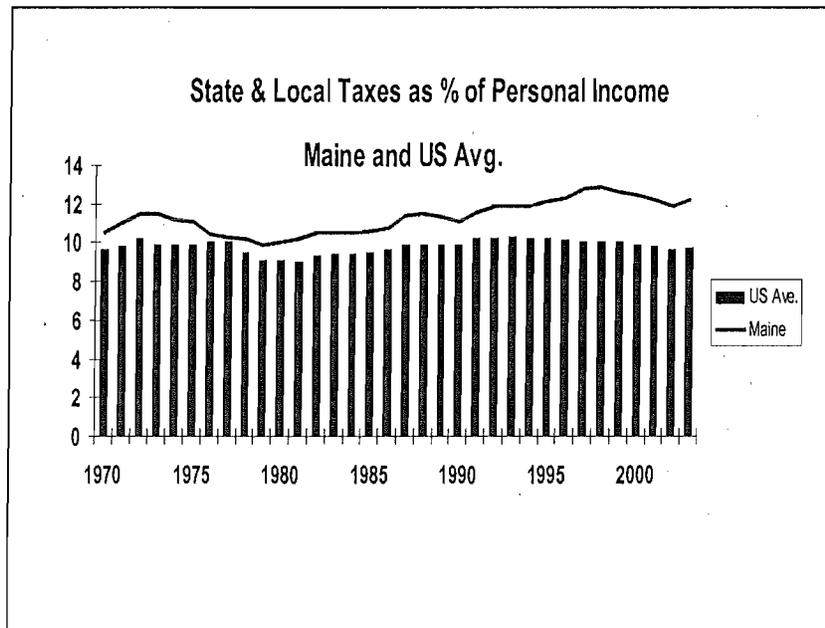
March 18, 2004

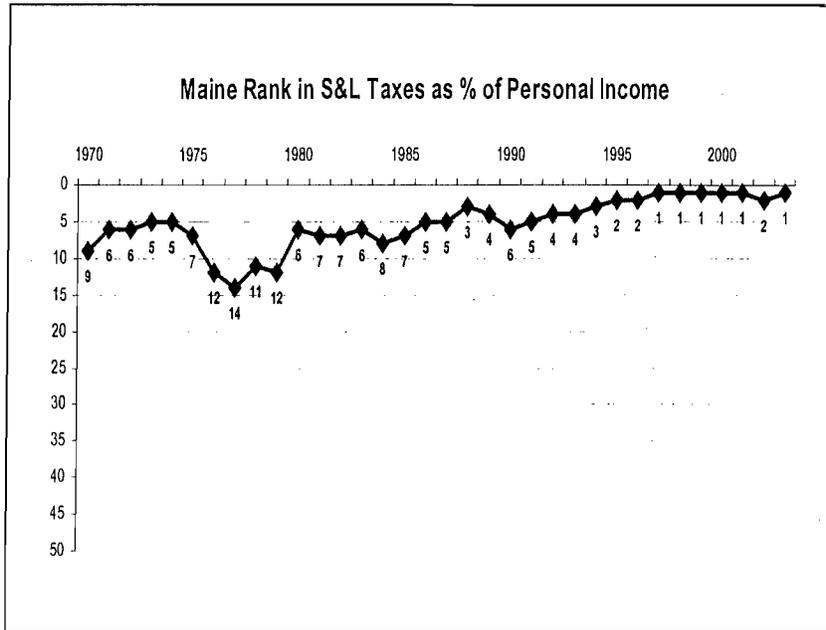
## **Goals of Responsible Reform**

- **Immediate, Targeted Property Tax Relief**
- **Longer-Term Property Tax Relief**
- **Competitiveness**

## Why Focus on Tax Relief?

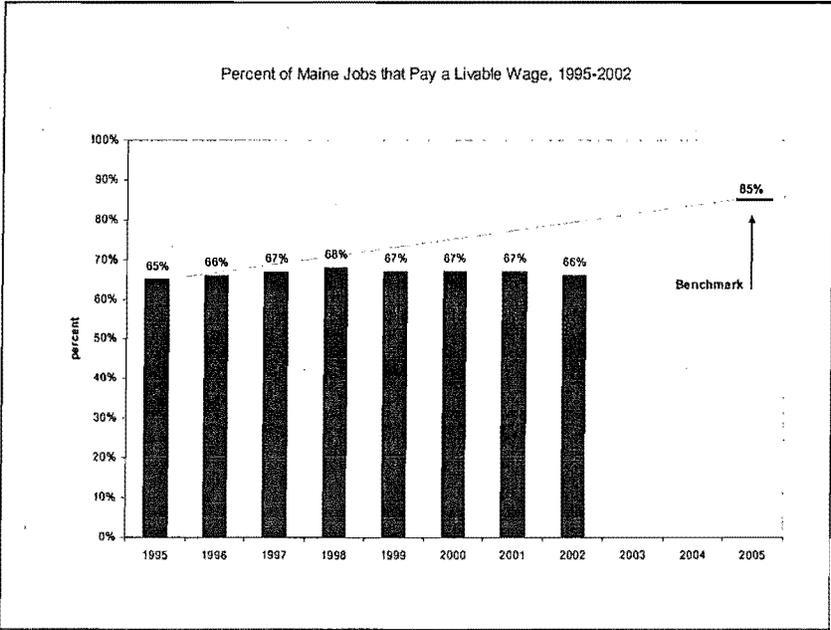
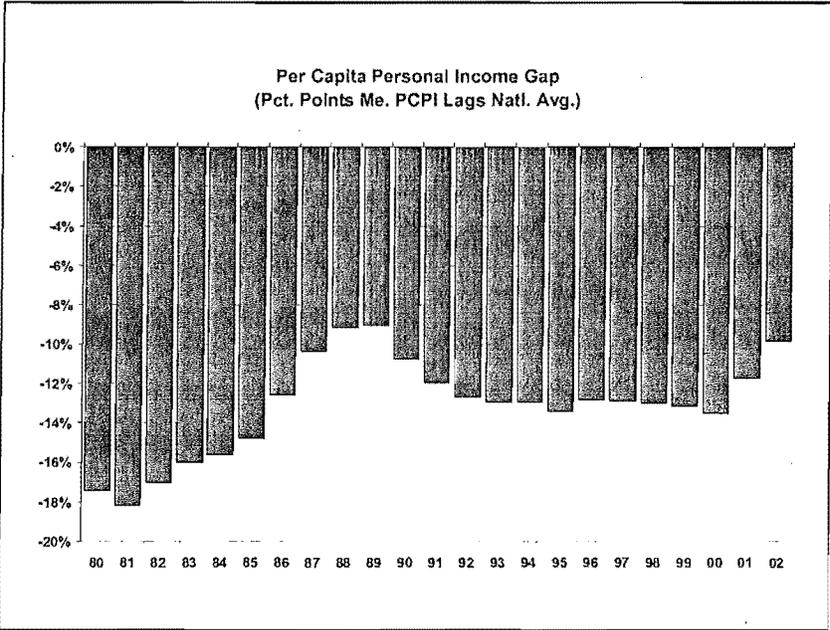
- Tax burden 20% above US
- Tax burden among highest in US for a decade
- Property tax burden among highest in nation
- 2 Citizens' Initiatives demanding property tax relief
- High Taxes Weaken Competitive Position

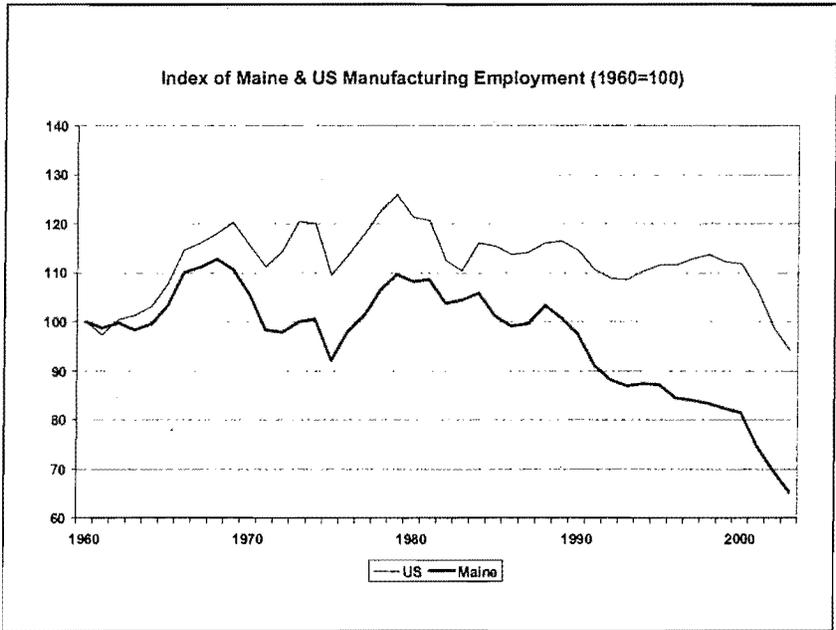
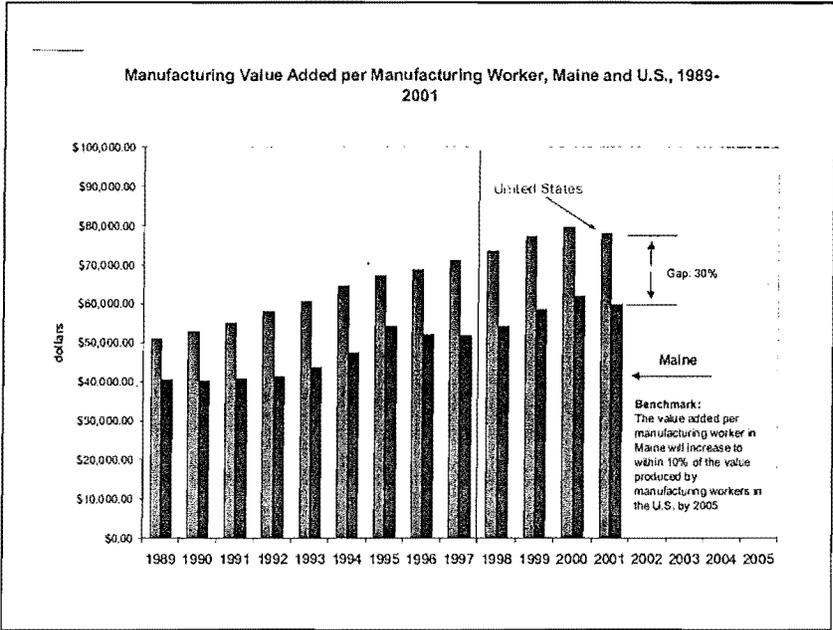


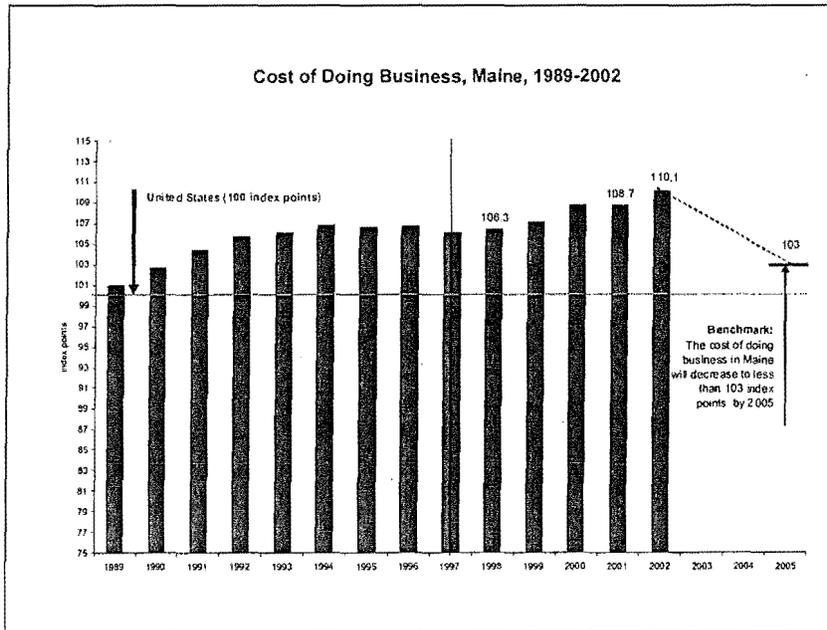


## Why Focus on Competitiveness?

- Per Capita Income 10% below US
- 1/3 jobs do not pay livable wage
- Industrial productivity 70% of US
- Lost 1/3 manufacturing jobs since 1989
- Maine manufacturing job loss much worse than US
- Cost of Doing Business 10% above US







## Why focus on education spending?

### ■ Largest part of budgets

- 36% of State spending
- 61% of Local spending

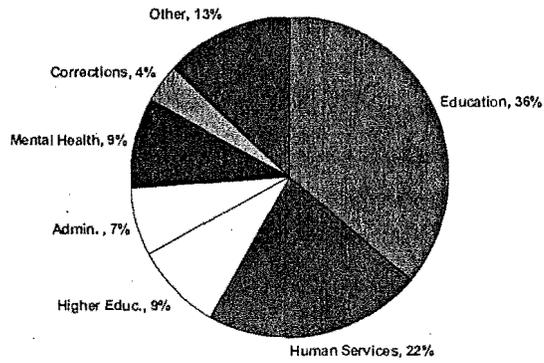
### ■ Expenditures increasing rapidly

- Spending grew 396% from 79-03
- Special ed. costs grew 1336% from 79-03
- Special ed. grew from 5% to 15% total costs

### ■ Enrollment declining - 14% from 79-03

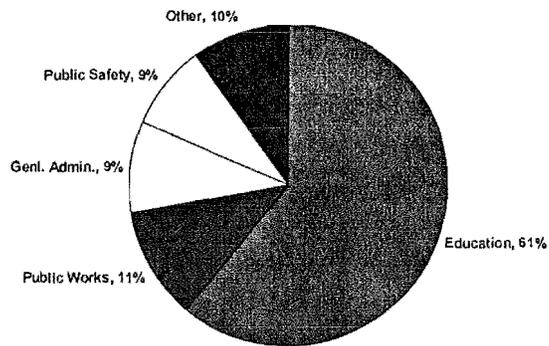
### ■ Population Aging – Shifting Budget Priorities

**Maine State Expenditures  
(2002 General Fund)**

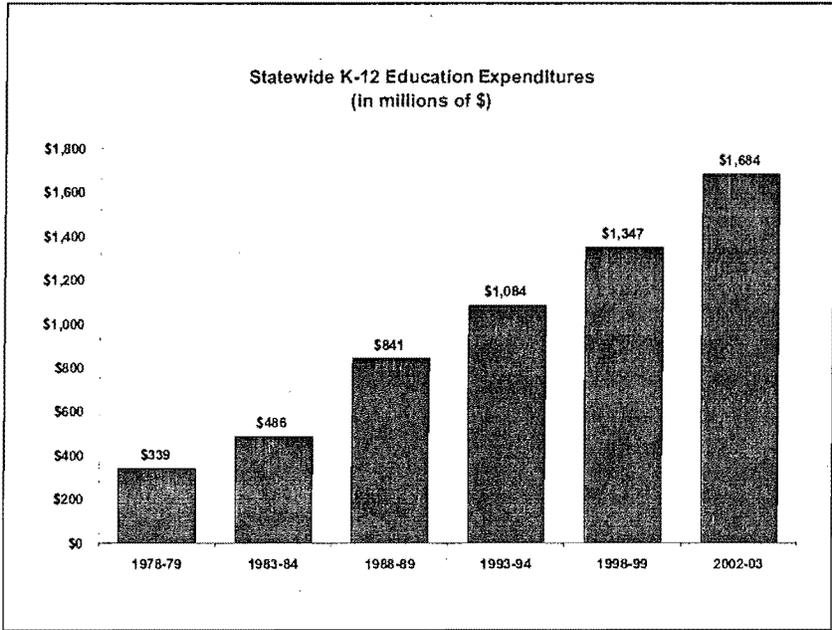
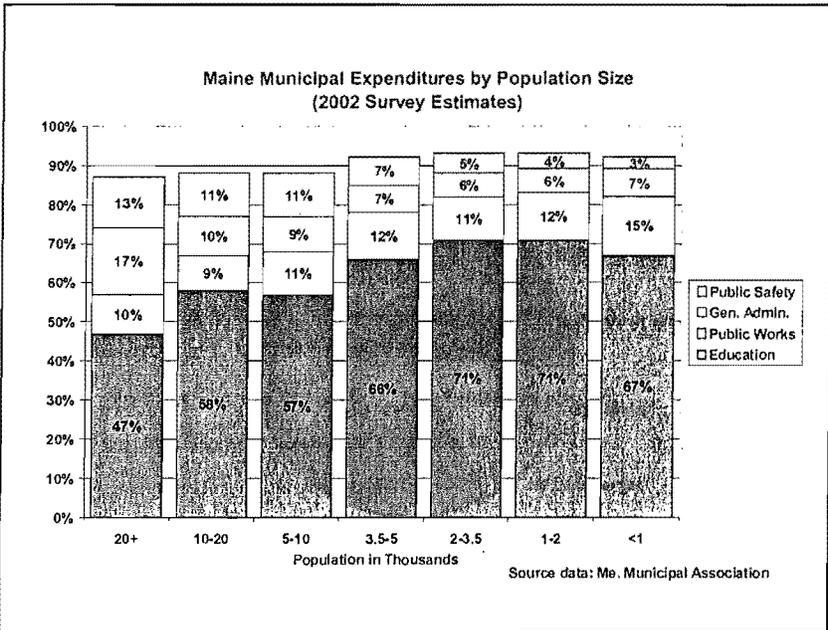


Source data: Me. Bur. Of the Budget

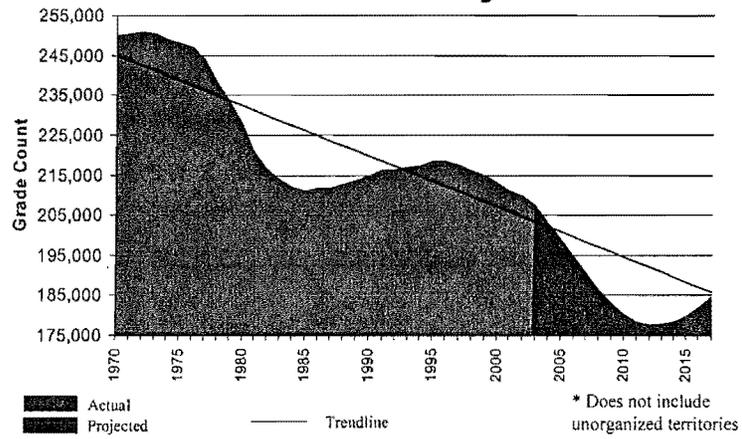
**Maine Municipal Expenditures  
(2002 Survey Estimates)**



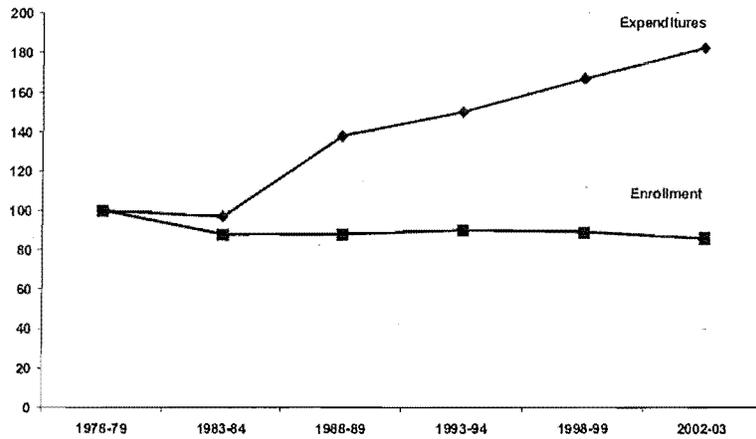
Source data: Me. Municipal Association

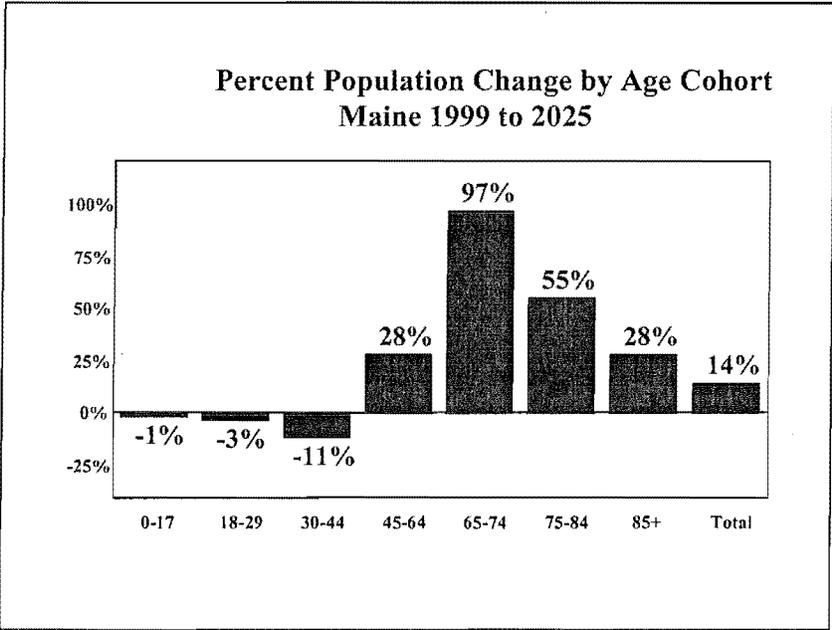
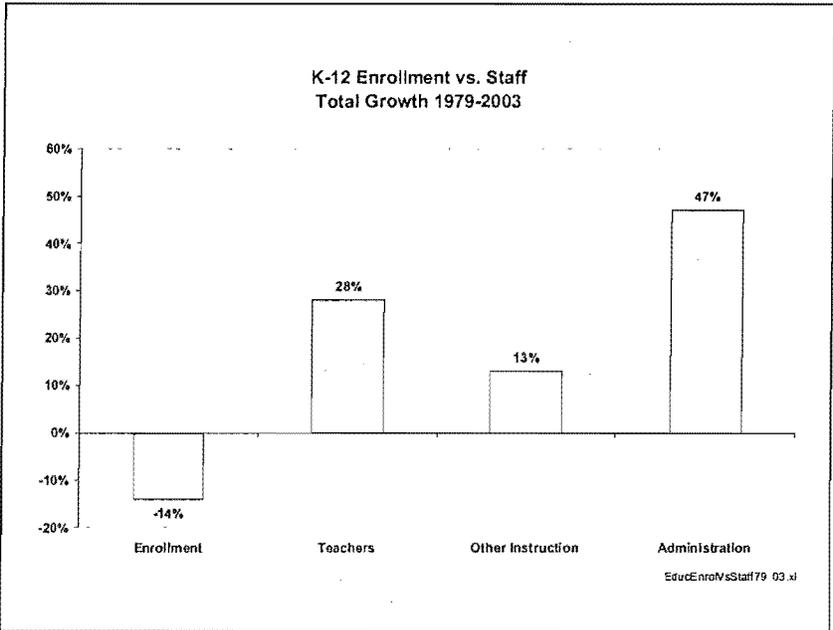


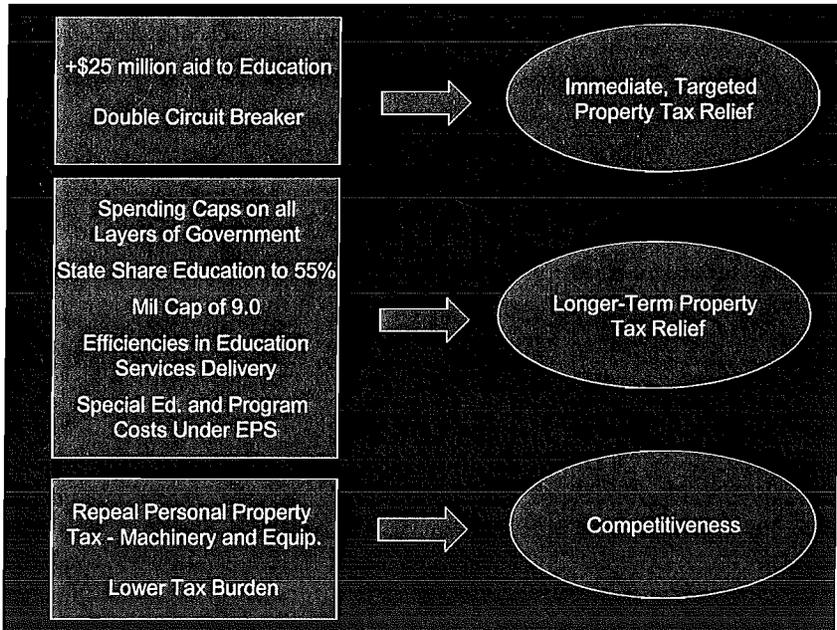
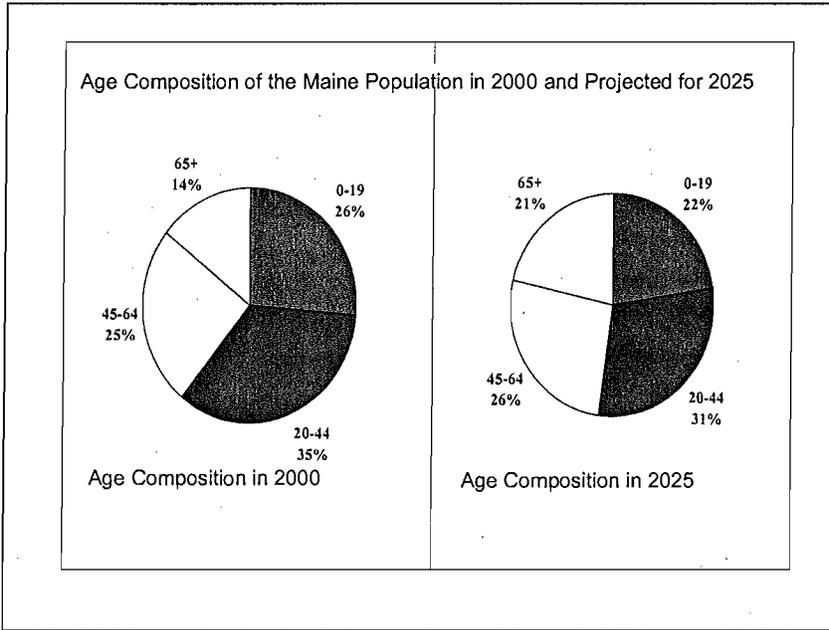
## Resident Pupil Counts 1970 to 2003 Actual 2004 to 2017 Projected



## Real K-12 Expenditures vs K-12 Enrollment Indexed to 1978-79 = 100

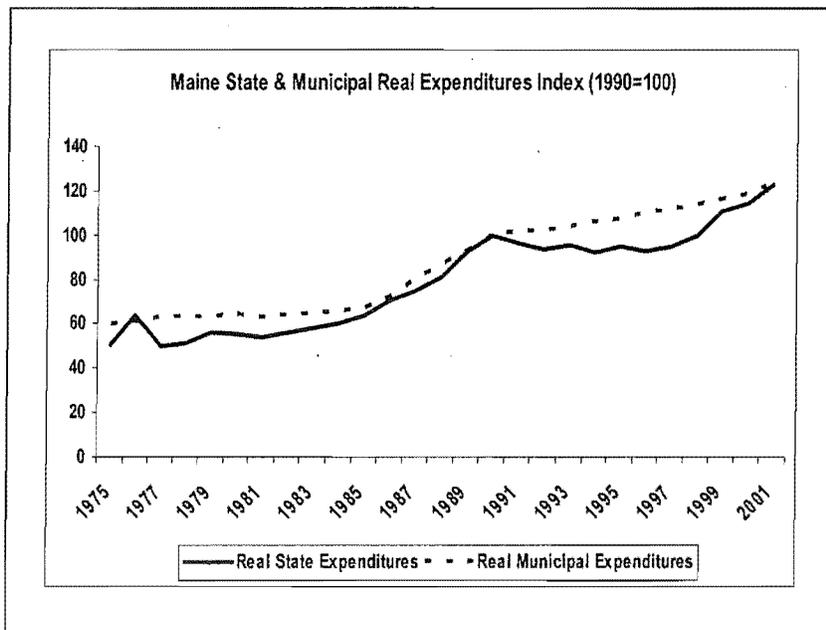






## 3 Ways to Reduce Burden

- Eliminate or Cut Programs
- Find Efficiencies – Consolidation/Regionalization
- Increase Income



## **Components of LD 1923:**

- A. Repeal of the Personal Property Tax on Machinery and Business Equipment
- B. Repeal of the Homestead Exemption and Double the Circuit Breaker Program
- C. Extension of the State's Spending Cap to County and Local Budgets

### **Part A:**

## **Repeal of the Personal Property Tax on Machinery and Equipment**

- Repeal effective April 1, 2004
- BETR qualified equipment becomes tax exempt as it exits the BETR program
- Towns reimbursed 50%
- State savings of \$3.7 million in FY07 and \$11.0 in FY08

**Part B:  
Create Homestead Tax Cap  
Program**

- Repeal the Homestead Exemption
- Double targeted property tax relief funding for 2005 (from \$25 million to \$50 million)
- Lower tax-to-income threshold to 3.5%
- Double refund from \$1,000 to \$2,000
- Increase income eligibility from \$30,300 (s) / \$46,900 (j) to \$75,000 (s) / \$100,000 (j)
- Increase household eligibility to 200,000 HH

**Part C:  
Spending Caps for County and  
Municipal Budgets**

- Cap Modeled on Current State Cap
- Caps spending at 10-year average income plus CPIU
- Cap projected: 4.67% for 06/07 and 5.17% for 08/09
- Cap applied to the 3 parts of a municipal budget (Local k-12, County Assess, Municipal Services)
- Competitive grant expenditures not subject to cap
- Allows for exceptional circumstances
- Consciousness raising tool:
  - Cap and proposed budget growth printed clearly on bill
  - currently no consequences for spending above cap

## **Other Elements of Responsible Reform**

- Increase State Commitment to Education
  - Additional \$25 Million in FY05 (LD 1919)
  - Statutory Commitment to 55% by FY2010 (LD 1924)
- Cap Local Share of Education Costs at 9 mils (LD 1924)
- Incentivize Efficiencies in Education Services Delivery (LD 1921)
- Bring Special Ed. and Transportation Costs Under EPS (LD 1924)

## **LD1924**

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

*Joint Standing Committee on Taxation  
And  
Joint Standing Committee on Education & Cultural Affairs*

**March 18, 2004**

### **Key Education Components**

*Governor's Budget Bill*

**O** *Increases General Purpose Aid to Education  
by **\$25 Million** for FY05*

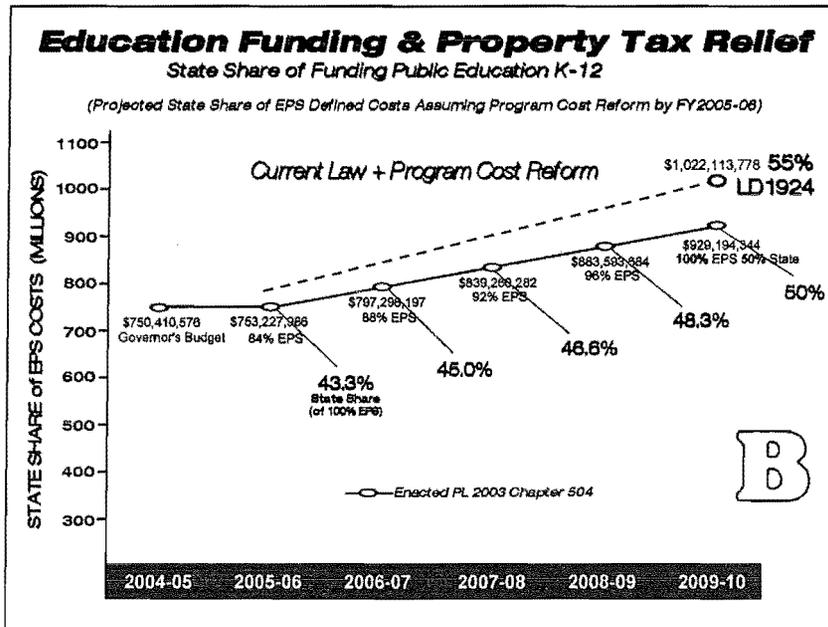
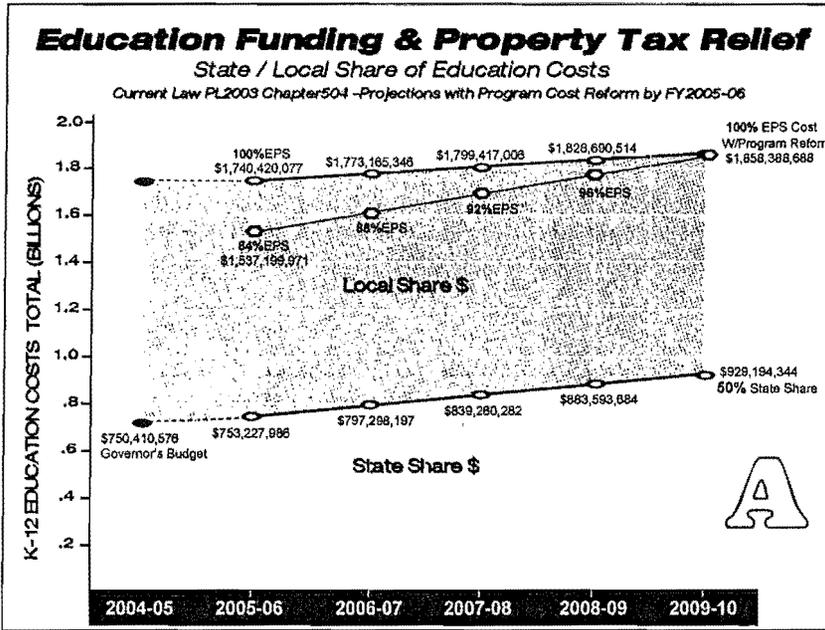
- *Current FY05 Budgeted Amount of \$725,410,576  
is increased to **\$750,410,576***
- *Result: An Additional **\$14,986,616** for  
Operating and Program Cost Distribution Over  
Commissioner's Current RFL*
- *Printouts Reflecting the Increase Where Provided to  
Each Unit on March 11, 2004*

## **Key Education Components**

**LD1924**

*Requires That the State Share of Education Costs Must be 55% by FY09-10*

- *Provides for an Increased State Share each Year Over the Specified Five-Year Period Necessary to Achieve the Statutorily Required 55% by FY2009-10*
- *The Bill Does not Alter the Current Law Phase-In of EPS but Will Require Additional State Share Each Year to Meet the FY2009-10 Required 55%*



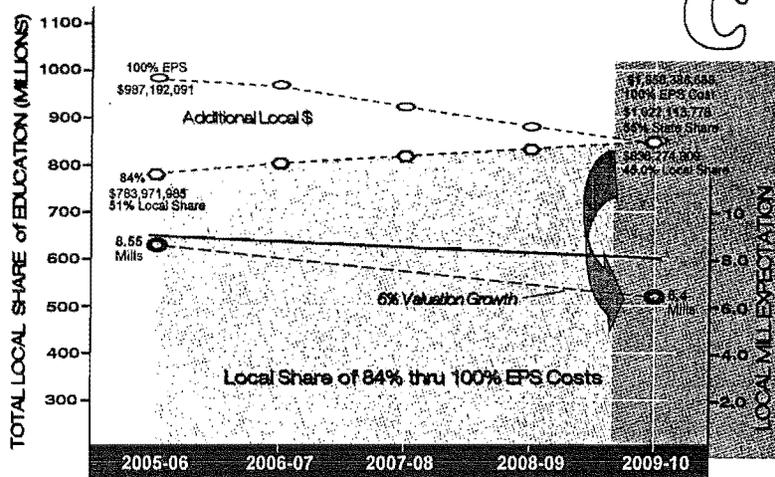
## Key Education Components

○ Limits the Local Share of All EPS Defined Education Costs to 8.0 Mills or Less by FY 2009-10

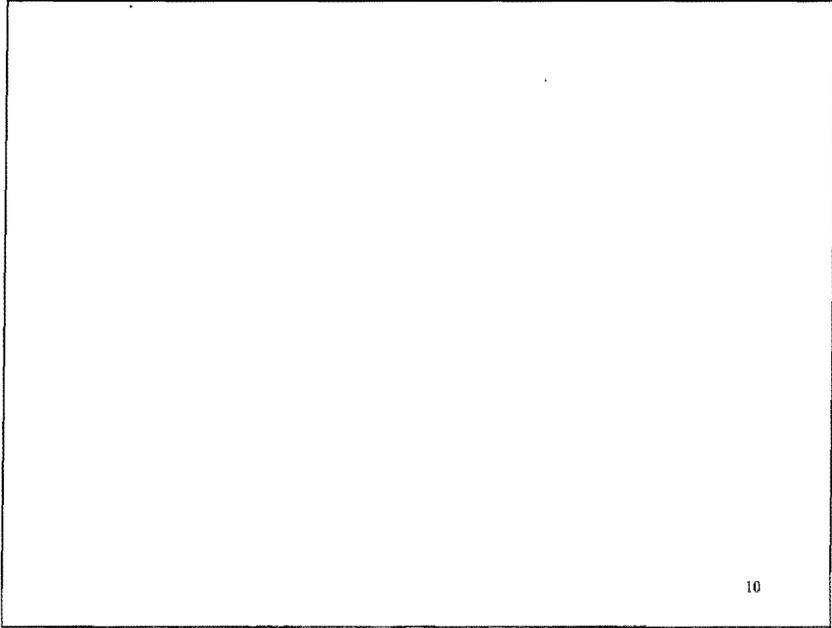
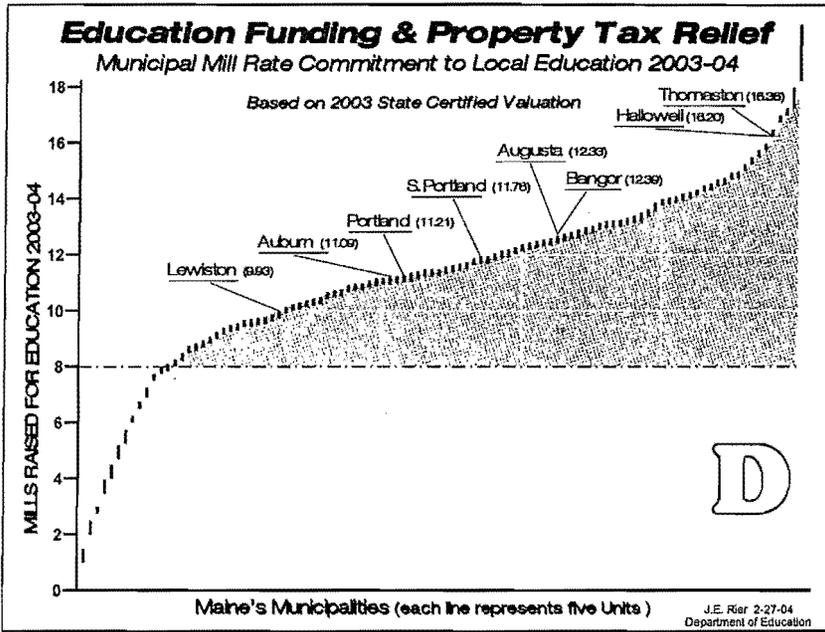
- Establishes a New Method of Distribution for the State Share of Education Funding
- Ensures That a Municipality, Single or Part of an SAU Will Not Be Required to Raise More Than 8.0 Mills of State Valuation for Their Share of Local Education Costs by FY 2009-10
- State Share Becomes the Difference Between the Established Mill Rate Expectation and the EPS Defined Costs Each Year

## Education Funding & Property Tax Relief

Maximum Local Mill Rate Expectation - LD1924



J.E. Rier 3-15-04  
Department of Education





## **Key Education Components**

### **O Provides Minimum Subsidy**

*For Those Units That Raise Their Share of  
EPS Costs Without Exceeding the Specified  
Maximum Mill Rate Expectation*

- *Minimum subsidy would be 5% of EPS  
Costs for K-8 and 9-12 Established Rates*

## **Key Education Components**

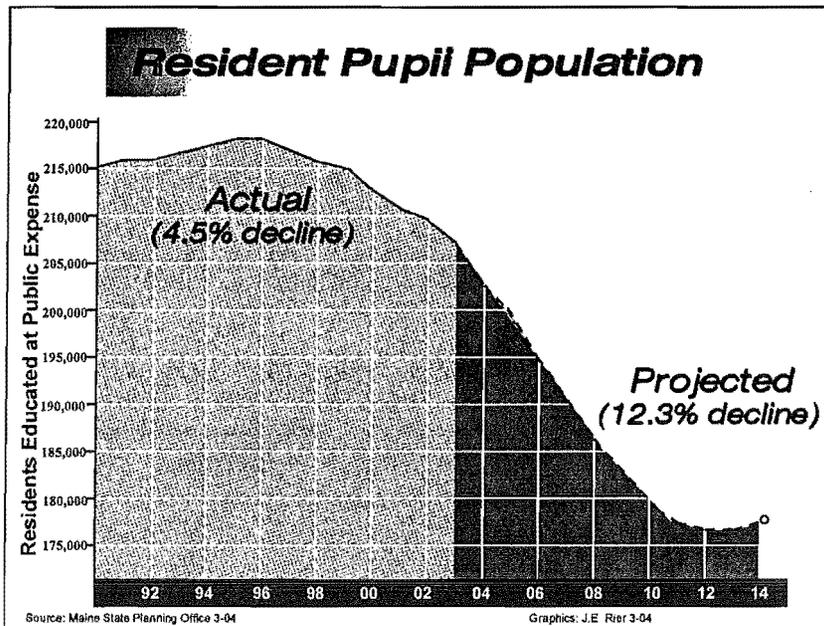
### **O Limits Local Share of Construction Debt**

*For Those Units That Raise Their Share of  
EPS Costs Without Exceeding the Specified  
Maximum Mill Rate Expectation Each Year*

- *Maximum local commitment to prior  
construction debt would be .5 Mills until  
the state supported bond debt is retired*

## Why Focus on Education Spending?

- Largest Part of State and Local Budgets
- Expenditures Increasing Rapidly
- Enrollments Are Declining Rapidly



Under suspension of the Rules, **READ A SECOND TIME** and **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "A" (H-855)**, in **NON-CONCURRENCE**.

Sent down for concurrence.

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**ORDERS OF THE DAY**

The Chair laid before the Senate the following Tabled and Later Today Assigned matter:

SENATE REPORT - from the Committee on **TAXATION**, Bill "An Act To Increase Business Investment, Provide Expanded Property Tax Relief to Low-income and Moderate-income Homeowners and Cap Local and County Spending"  
S.P. 759 L.D. 1923

Report - Received by the Secretary of the Senate on April 26, 2004, pursuant to Joint Rule 309

Tabled - April 27, 2004, by Senator **GAGNON** of Kennebec

Pending - **ACCEPTANCE OF REPORT**

(In Senate, March 10, 2004, **REFERRED** to the Committee on **TAXATION** and ordered printed.)

(In House, March 10, 2004, **REFERRED** to the Committee on **TAXATION**, in concurrence.)

On motion by Senator **STANLEY** of Penobscot, Bill and accompanying papers **INDEFINITELY POSTPONED**.

Sent down for concurrence.

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The Chair laid before the Senate the following Tabled and Later Today Assigned matter:

SENATE REPORT - from the Committee on **TAXATION** and the Committee on **EDUCATION AND CULTURAL AFFAIRS** on Bill "An Act To Reduce the Cost of Local Government through Increased State Education Funding and Provide Property Tax Relief"  
S.P. 761 L.D. 1924

Report - **Ought to Pass as Amended by Committee Amendment "A" (S-545)**

Tabled - April 27, 2004, by Senator **TREAT** of Kennebec

Pending - **ACCEPTANCE OF REPORT**

(In Senate, April 27, 2004, Report **READ**.)

**THE PRESIDENT:** The Chair recognizes the Senator from Androscoggin, Senator Douglass.

Senator **DOUGLASS:** Madame President, although I realize there will be no debate on this bill because it is the unanimous bill through two committees, I rise because I think it is important to note that this is a bill that will provide for great property tax relief for the people of Maine. I think it is important to remember that our local tax payers have said that they want to see the state share more in the cost of education and this bill does that.

Report **ACCEPTED**.

**READ ONCE**.

Committee Amendment "A" (S-545) **READ**.

On motion by Senator **BRENNAN** of Cumberland, Senate Amendment "A" (S-550) to Committee Amendment "A" (S-545) **READ**.

**THE PRESIDENT:** The Chair recognizes the Senator from Oxford, Senator Bennett.

Senator **BENNETT:** Thank you, Madame President. I request permission to pose a question through the Chair.

**THE PRESIDENT:** The Senator may pose his question.

Senator **BENNETT:** Thank you, Madame President. Perhaps the sponsor or some other informed party could inform this Senator as to the intentions of this amendment.

**THE PRESIDENT:** The Senator from Oxford, Senator Bennett poses a question through the Chair to anyone who may wish to answer. The Chair recognizes the Senator from Androscoggin, Senator Douglass.

Senator **DOUGLASS:** Madame President, this bill provides what we called in our two committees a 'ramp up' of the percentage share that the state provides to local education. The amendment speaks to another part of the bill in which a so-called 'ramp down' was established which was not actually a ramp but a municipal budget analysis committee that is established to ascertain whether, in deed, local property taxes are going down. The amendment simply changes the amount by which those revenues must shrink from what was an unreasonably ambitious goal of 3.5% to, as the language states, less than last year. It gives us a more realistic goal that localities would, as a result of having the increased state money for local education, be able to keep their property taxes for education at the same level, or below, as last year. The original bill called for a 3.5% decrease each year, which might be a bit unrealistic to achieve.

On motion by Senator **BRENNAN** of Cumberland, Senate Amendment "A" (S-550) to Committee Amendment "A" (S-545) **ADOPTED**.

Committee Amendment "A" (S-545) as Amended by Senate Amendment "A" (S-550) thereto, **ADOPTED**.

Under suspension of the Rules, **READ A SECOND TIME** and **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "A" (S-545) AS AMENDED BY SENATE AMENDMENT "A" (S-550)** thereto.