# 122nd Legislature LD 1 HP0006

# PROPERTY TAX REFORM

An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels. (GOVERNOR'S BILL). **Presented By:** Representative RICHARDSON of Brunswick. **Public Hearing:** 12/14/04. Majority (OTP-AM) Accepted 01/20/05. Amended by: CA H-1, SJ/CA S-11. **Final Disposition:** Enacted, Signed 01/21/05, PUBLIC LAWS, Chapter 2.

# LAWS

## OF THE

# STATE OF MAINE

AS PASSED BY THE

ONE HUNDRED AND TWENTY-SECOND LEGISLATURE

FIRST REGULAR SESSION
December 1, 2004 to March 30, 2005

FIRST SPECIAL SESSION
April 4, 2005 to June 18, 2005

THE GENERAL EFFECTIVE DATE FOR
FIRST REGULAR SESSION
NON-EMERGENCY LAWS IS
JUNE 29, 2005

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FIRST SPECIAL SESSION
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SEPTEMBER 17, 2005

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

Penmor Lithographers
Lewiston, Maine
2005

chapter. Snowmobiles and grooming equipment registered to a federal or state entity, snowmobile clubs, municipalities or counties from bordering states or provinces and engaged in trail grooming may be operated without being registered under this subsection. Snowmobiles registered in either New Hampshire or Canada may be operated on any lake or pond that is both partly in the State and New Hampshire or Canada without being registered in the State. Snowmobiles registered in another state or in a Canadian province may be operated without a Maine registration at a special event or festival organized to occur in this State if such operation is approved by the commissioner. An event or festival organizer must submit a request in writing to the commissioner 60 days prior to the event or festival and shall include a map of the trails where operation will be allowed.

**Sec. 3. 12 MRSA §13104, sub-§11,** as enacted by PL 2003, c. 414, Pt. A, §2 and affected by c. 614, §9, is repealed.

**Emergency clause.** In view of the emergency cited in the preamble, this Act takes effect when approved.

Effective January 18, 2005.

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## CHAPTER 2

### H.P. 6 - L.D. 1

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

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

### PART A

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

**§1511. Loan Insurance Reserve**

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

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

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

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

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

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

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

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

**CHAPTER 142**

**MAINE BUDGET STABILIZATION FUND**

**§1531. Definitions**

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

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

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

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

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

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

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

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

**Sec. C-4. Retroactivity.** This Part applies retroactively to July 1, 2005.

## PART D

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**§1308. Failure to pass budget**

If a budget for the operating of the district is not approved prior to July 1st, the latest budget as submitted by the board of directors is automatically considered the budget for operational expenses for the ensuing year until a final budget is approved, except that, when the school board delays the school budget meeting in accordance with section ~~15617~~ 15693,

subsection 2, paragraph C, the operating budget must be approved within 30 days of the date the commissioner notifies the school board of the amount allocated to the school unit under section ~~15613~~ 15689-B or the latest budget submitted by the directors becomes the operating budget for the next school year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**§4003-A. Hazardous chemicals**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**§8402. Programs**

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

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

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

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

**§8451-A. Programs**

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

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

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

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

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

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

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

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

**§15622. Repeal**

This chapter is repealed July 1, 2005.

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

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

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

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

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

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

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

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

~~B. Supplies and equipment;~~

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

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

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

~~A. Special education students;~~

~~B. Limited English proficiency students;~~

~~C. Economically disadvantaged students; and~~

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

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

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

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

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

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

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

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

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

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

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

B. The annual targets for the state share percentage of the statewide adjusted total cost of the

components of essential programs and services are as follows.

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

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

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

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

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

**Sec. D-35. 20-A MRSA §15671-A,** as enacted by PL 2003, c. 712, §11, is amended 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~~, including the total allocations for ~~program cost~~ other subsidizable costs, 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~~ 3-A.

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

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

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

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 statewide total ~~of the~~ local ~~cost~~ share ~~expectation~~. The full-value education mill rate is calculated for each fiscal year by dividing the applicable ~~tax year percentage of the projected cost of funding public education from kindergarten to grade 12~~ statewide total local share by the ~~certified total state~~ applicable statewide 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~~ 2008-09 and may not exceed 9.0 mills in fiscal year 2005-06 and may not exceed 8.0 mills in fiscal year ~~2009-10~~ 2008-09. The full-value education mill rate must be applied according to section 15688, subsection ~~3~~ 3-A, 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% statewide total 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%~~ 46.14% statewide total 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%~~ 45.56% statewide total 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%~~ 45.0% statewide total local share in fiscal year 2008-09.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**§15672. Definitions**

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

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

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

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

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

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

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

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

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

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

(2) Temporary interim nonadministrative space.

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

(i) Fiscal capacity;

(ii) Enrollment demographics; and

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

The state board's decision is final.

(b) A school administrative unit engaged in a lease-purchase agreement for temporary interim nonadministra-

tive space is eligible for state support for a maximum of 10 years; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~D. Identified nonstaffing costs.~~

**22-A. Predicted per-pupil transportation costs.** "Predicted per-pupil transportation costs" means the predicted transportation costs for a school administrative unit based on the number of resident pupils, the number of miles of Class 1 to Class 5 roads

in the school administrative unit and approved adjustments. Approved adjustments include a per mile rate equal to the state average gross transportation operating costs per mile driven for transportation associated with out-of-district special education programs, up to 2 round trips per day for vocational education programs, and adjustments for expenditures for ferry services within a school administrative unit, transportation of homeless children in accordance with section 5205 and transportation costs of island school administrative units.

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

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

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

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

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

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

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

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

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

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

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

C. The following preschool handicapped services:

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

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

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

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

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

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

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

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

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

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

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

A. The total operating allocation under section 15683;

B. Debt service cost; and

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

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

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

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

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

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

A. Community service costs;

B. Major capital costs;

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

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

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

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

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

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

C. Debt service costs;

D. Adjustments determined pursuant to section 15689; and

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

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

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

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

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

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

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

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

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

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

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

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

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

**§15676. EPS per-pupil rate**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. For units that do not operate secondary grade schools, the EPS per-pupil rate for secondary grades is calculated by multiplying the number of students sent by the sending unit to a secondary grade receiving unit multiplied by the receiving unit's EPS per-pupil rate for secondary grades

and the result divided by the number of students sent by the sending unit to that secondary grade receiving unit. If the sending unit sends students to more than one secondary grade receiving unit, then the secondary grade receiving unit cost for each student sent by the sending unit is added and the result divided by the total number of students sent to secondary grade receiving units by the sending unit. The result is the average secondary grade EPS per-pupil rate for the sending unit.

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

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

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

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

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

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

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

The following are other subsidizable costs:

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

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

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

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

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

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

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

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

costs for a school administrative unit be less than 75% of the established costs for the most recent fiscal year. Every 3 years, the commissioner, using information provided by a statewide education policy research institute, shall examine and may adjust reported transportation expenditures and predicted transportation costs. The commissioner shall develop an appeals procedure for established per-pupil transportation costs for school administrative units;

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

**5. Gifted and talented education costs.** Gifted and talented education costs in the base year adjusted to the year prior to the allocation year.

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

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

**§15682. Regional adjustment**

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

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

**§15683. Total operating allocation**

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~~ of other subsidizable costs as described in section 15681-A.

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) The product of the elementary school level and middle school level per-pupil amount for targeted technology resource funds calculated pursuant to section 15681, subsection 3 multiplied by the kindergarten

to grade 8 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**§15686. Transition adjustment**

For each of the fiscal years described in section 15671, subsection 7, the commissioner shall establish a transition adjustment calculated to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of this Act. The transition adjustment for a municipality must be directly related to the phase-in of essential programs and services and the local cost share expectation method under section 15671-A of determining the local contribution to the cost of funding essential programs and services. The amount of this adjustment must decline with each successive fiscal year, and the adjustments must end no later than fiscal year ~~2009-10~~ 2008-09.

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

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

A school administrative unit that meets the criteria in paragraph A is eligible to receive no less than a 5% transition adjustment in fiscal year 2005-06 if the

school administrative unit operates an elementary or secondary school and also has a student count of less than 1,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. 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 or C, as applicable. The state contribution is subject to reduction in accordance with section 15690, subsection 1, paragraph C.

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

**4. Method of cost sharing; exception.** For the purpose of local cost sharing, the provisions of subsection ~~3~~ 3-A 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.

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

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

A. The sum of the following calculations:

(1) 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

(2) 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); and

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

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

(2) In fiscal year 2006-07, 90%;

(3) In fiscal year 2007-08, 95%; and

(4) In fiscal year 2008-09 and succeeding years, 100%.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. The commissioner shall approve special education costs and supportive services, including transportation, for all state agency clients placed

in residential placements by an authorized agent of a state agency.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**7. Required data; subsidy payments withheld.** A school administrative unit shall provide the commissioner with information that the commissioner

requests to carry out the purposes of this chapter, according to time schedules that the commissioner establishes. The commissioner may withhold monthly subsidy payments from a school administrative unit when information is not filed in the specified format and with specific content and within the specified time schedules.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**§15689-E. Actions by Legislature**

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

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

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

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

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

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

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

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

**§15689-F. Actions by department**

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

**1. State's obligation.** If the State's continued obligation for any program provided by one of the appropriated amounts under section 15689-E exceeds

the appropriated amount, any unexpended balance from another of those appropriated amounts may be applied by the commissioner toward the obligation for that program.

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

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

**§15690. Local appropriations**

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

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

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

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

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

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

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

| Total cost by municipality | Municipal local contribution |
|---|---|
| Town A ($amount) | Town A ($amount) |
| Town B ($amount) | Town B ($amount) |
| Town C ($amount) | Town C ($amount) |
| School District Total ($sum of above) | School District Total ($sum of above)" |

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

C. The state share of the total cost of funding public education from kindergarten to grade 12 as described in section 15688, excluding state-funded debt service for each school administra-

tive unit, is limited to the same proportion as the local school administrative unit raises of its required contribution to the total cost of education as described in section 15688, excluding state-funded debt service costs.

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

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

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

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

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

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

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

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

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

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

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

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

**4. Total budget article.** A school administrative unit must include a summary article indicating the total annual budget for funding public education from kindergarten to grade 12 in the school administrative unit. The amount recommended must be the gross

budget of the school system. This article does not provide money unless the other articles are approved.

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

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

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

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

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

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

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

**§15692. Special school districts**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. The district school committee shall:

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

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

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

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

**§15694. Actions on budget**

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

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

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

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

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

(1) A petition containing a number of signatures of legal voters in the member municipalities of the school administrative unit equalling at least 10% of the number of voters who voted in the last gubernatorial

election in member municipalities of the school administrative unit, or 100 voters, whichever is less, and specifying the article or articles to be reconsidered must be presented to the school board within 15 days of the regular budget meeting at which the budget was finally approved.

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

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

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

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

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

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

**§15695. Bonds; notes; other**

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

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

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

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

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

## CHAPTER 608

## SCHOOL FINANCE ACT OF 2003

**§15751. Short title**

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

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

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

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

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

Except as provided in section 15689, subsection 1, but notwithstanding any other provision of chapter

606-B, the Legislature shall provide 100% of a school administrative unit's special education costs as calculated pursuant to section 15681-A, subsection 2.

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

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

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

**1. Source of funds; purpose.** Funds for appropriations under this section must be appropriated in addition to the total amount annually appropriated for general purpose aid for local schools and must be placed into a single account. Beginning in fiscal year 2005-06 and in each succeeding fiscal year until fiscal year 2008-09, an amount calculated to be not greater than 2% of the total amount annually appropriated for general purpose aid for local schools must be dedicated to the fund and distributed from the fund to those school administrative units and municipalities that are able to demonstrate significant and sustainable savings in the cost of delivering educational services and improved student achievement through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems.

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

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

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

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

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

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

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

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

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

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

**§15755. Entitlement**

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

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

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

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

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

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

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

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

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

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

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

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

**Sec. D-70. Criteria for isolated small school adjustment; rulemaking.** For fiscal year

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

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

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

**Sec. D-73. Retroactive application.** This Part applies retroactively to July 1, 2005.

## PART E

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

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

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

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

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

**§6204. Filing date**

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

**Sec. E-4. 36 MRSA §6207, sub-§1, ¶A-1,** as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, is further amended to read:

A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of ~~$1,000~~ $2,000.

**Sec. E-5. 36 MRSA §6207, sub-§2,** as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, is repealed.

**Sec. E-6. 36 MRSA §6209,** as amended by PL 1989, c. 508, §25, is further amended to read:

**§6209. Annual adjustment**

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

**2. Benefit base maximum adjustment.** Beginning March 1, 2006, the State Tax Assessor shall annually multiply the household income eligibility adjustment factor by the maximum benefit base amounts specified in section 6201, subsection 1, as

"Enacted with amendments H-1 and S-11 as P.L. 2005, CH. 2"

# 122nd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2005

**Legislative Document** **No. 1**

H.P. 6 House of Representatives, December 1, 2004

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

(EMERGENCY)

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

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

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

Printed on recycled paper

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

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

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

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

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

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

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

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

**§15622. Repeal**

This chapter is repealed July 1, 2005.

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

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

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

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

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

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

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

**Sec. D-34. 20-A MRSA §15671, sub-§1,** as amended by PL 2003, c. 712, §9, 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. Except as otherwise provided in this subsection, for each fiscal year, the total cost of the components of essential programs and services may not exceed the prior fiscal year's costs multiplied by one plus the average real personal income growth rate as defined in Title 5, section 1665, subsection 1, except that in no case may that rate exceed 2.75%. For fiscal years commencing after the state tax burden ranks in the middle 1/3 of all states, as calculated and certified by the State Tax Assessor, the total cost of the components of essential programs and services may not exceed the prior fiscal year's costs multiplied by one plus the average real personal income growth rate as defined in Title 5, section 1665, subsection 1. The Legislature, by an affirmative vote of each House, may exceed the limitations on increases in the total cost of the components of essential programs and services provided in this subsection, as long as that vote is taken upon legislation stating that it is the Legislature's intent to override the limitation for that fiscal year. The state contribution to the cost of the components of essential programs and services, exclusive of federal funds that are provided and accounted for in the cost of the components of essential programs and services, must be made in accordance with this subsection:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Sec. D-36. 20-A MRSA §15671-A,** as enacted by PL 2003, c. 712, §11, is amended 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~~ 2008-09 and may not exceed 9.0 mills in fiscal year 2005-06 and may not exceed 8.0 mills in fiscal year ~~2009-10~~ 2008-09. 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%~~ 46.14% 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%~~ 45.56% 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%~~ 45.0% local share in fiscal year 2008-09.

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

**3. Exceeding maximum local cost share expectations; separate article.** Beginning with the 2005-2006 school budget, the legislative body of a school administrative unit may adopt ~~property tax rates~~ an additional local appropriation that ~~exceed~~ exceeds 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. If that additional appropriation causes the school administrative unit to exceed the maximum state and local spending target described in subsection 4, the voting requirements of subsection 4 apply.

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

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

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

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

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

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

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

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

**§15672. Definitions**

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

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

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

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

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

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

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

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

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

(2) Temporary interim nonadministrative space.

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

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

(i) Fiscal capacity;

(ii) Enrollment demographics; and

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

The state board's decision is final.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Designated costs for substitute teachers; and

D. Identified nonstaffing costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~D. Identified nonstaffing costs.~~

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

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

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

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

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

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

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

**29. School level teaching staff.** "School level teaching staff" means full-time equivalent public classroom teachers, itinerant classroom teachers and special teachers of reading or literacy specialists excluding special education teachers and

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

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

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

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

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

C. The following preschool handicapped services:

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

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

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

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

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

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

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

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

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

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

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

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

A. The total operating allocation under section 15683;

B. Debt service cost, including the following:

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

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

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

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

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

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

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

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

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

A. Community service costs;

B. Major capital costs;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**§15676. EPS per-pupil rate**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following are other subsidizable costs.

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

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

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

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

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

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

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

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

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

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

**4. Vocational education costs.** Vocational education costs in the base year adjusted to the year prior to the allocation year.

**5. Gifted and talented education costs.** Gifted and talented costs in the base year adjusted to the year prior to the allocation year.

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

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

**§15683. Total operating allocation**

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~~ of other subsidizable costs as described in section 15681-A.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**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~~ an adjustment to the school administrative unit's ~~total~~ state and local allocation as

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

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

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

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

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

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

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

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

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

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

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

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

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

10

A. The commissioner shall approve special education costs 12 and supportive services, including transportation, for all state agency clients placed in residential placements by an 14 authorized agent of a state agency.

16 B. Special education costs authorized by this subsection for state agency clients must be paid by the department in 18 the allocation year at 100% of actual costs.

20 C. The commissioner shall pay only approved special education costs and supportive services, including 22 transportation, authorized by this subsection for state agency clients and may not allocate for those special 24 education costs and supportive services, including transportation, incurred by the school administrative unit 26 for state agency clients in the base years starting July 1, 1985, and every base year thereafter.

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D. Transportation costs for state agency clients, when 30 provided in accordance with rules established by the commissioner under section 7204, must be paid by the 32 department in the allocation year at 100% of actual costs.

34 **2. Education of institutional residents.** The commissioner may pay tuition to school administrative units or private schools 36 for institutional residents within the limits of the allocation made under this section.

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**3. Essential programs and services components contract.** 40 The commissioner may contract for the updating of the essential programs and services component with a statewide education 42 research institute.

44 **4. Learning results implementation, assessment and accountability.** The commissioner may expend and disburse funds 46 limited to the amount appropriated by the Legislature to carry out the purposes of Public Law 1995, chapter 649, sections 5 and 48 8.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**§15689-E. Actions by Legislature**

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

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

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

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

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

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

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

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

**§15689-F. Actions by department**

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

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

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

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

**§15690. Local appropriations**

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

**1. School administrative unit contribution to total cost of funding public education from kindergarten to grade 12.** The legislative body of each school administrative unit may vote to

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

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

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

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

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

(1) "Article : To see what sum each municipality will appropriate for the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and to see what sum each municipality will raise as each municipality's contribution to the total cost of

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

| Total cost by municipality | Municipal local contribution |
|---|---|
| Town A ($amount) | Town A ($amount) |
| Town B ($amount) | Town B ($amount) |
| Town C ($amount) | Town C ($amount) |
| School District Total ($sum of above) | School District Total ($sum of above) |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**§15692. Special school districts**

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

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

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

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

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

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

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

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

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

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

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

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

A. Except as provided in subsection 4, the budget format is that prescribed by a majority of the school board until an article prescribing the school budget format is approved by a majority of voters in an election in which the total vote is at least 20% of the number of votes cast in the municipality in the last gubernatorial election, or 200, whichever is less.

B. The format of the school budget may be determined in accordance with section 1306.

C. It is the intent of the Legislature that a school board shall attempt to obtain public participation in the development of the school budget format.

**4. Budget format; town or city charter.** In a municipality where the responsibility for final adoption of the school budget is vested by municipal charter in a council, the school budget format may be changed through amendment of the charter under the home rule procedures of Title 30-A, chapter 111, except that the amendment must be approved by a majority of voters in an election in which the total vote is at least 20% of the number of votes cast in the municipality in the last gubernatorial election.

**5. Budget format; town meeting.** When the final budget authority is vested in a town meeting operating under the general enabling procedures of Title 30-A, the format of the school budget may be determined by the town meeting or under the procedures of Title 30-A, section 2522 or 2528.

**6. Budget format; community school district.** The following provisions apply to the budget format of a community school district.

A. An article containing the district's proposed budget format must be placed on the next warrant issued or ballot printed if:

(1) A majority of the district school committee votes to place it on the warrant or ballot; or

(2) A written petition signed by at least 10% of the number of voters voting in the last gubernatorial election in each municipality within the community school district requests it to be on the warrant or ballot.

B. The article containing the budget format may be voted on by secret ballot at an election conducted in accordance with Title 30-A, sections 2528 to 2532.

C. The district school committee shall:

(1) Issue a warrant specifying that the municipal officers of the municipalities within the community school district shall place the budget format article on the secret ballot; and

(2) Prepare and furnish the required number of ballots for carrying out the election, including absentee ballots.

**7. Budget format; articles.** The articles prescribed in this chapter must be included in the budget format and be voted on in

the adoption of the budget in order to determine state and local cost sharing.

**8. Change in budget format.** Any change in the budget format must be voted on at least 90 days prior to the budget year for which that change is to be effective.

**§15694. Actions on budget**

The following provisions apply to approving a school budget under this chapter.

**1. Checklist required.** Prior to a vote on articles dealing with school appropriations, the moderator of a regular or special school budget meeting shall require the clerk or secretary to make a checklist of the registered voters present. The number of voters listed on the checklist is conclusive evidence of the number present at the meeting.

**2. Reconsideration.** Notwithstanding any law to the contrary, in school administrative units where the school budget is finally approved by the voters, a special budget meeting to reconsider action taken on the budget may be called only as follows.

A. The meeting must be held within 30 days of the regular budget meeting at which the budget was finally approved.

B. In a school administrative district or community school district, the meeting must be called by the school board or as follows.

(1) A petition containing a number of signatures of legal voters in the member municipalities of the school administrative unit equalling at least 10% of the number of voters who voted in the last gubernatorial election in member municipalities of the school administrative unit, or 100 voters, whichever is less, and specifying the article or articles to be reconsidered must be presented to the school board within 15 days of the regular budget meeting at which the budget was finally approved.

(2) On receiving the petition, the school board shall call the special budget reconsideration meeting, which must be held within 15 days of the date the petition was received.

C. In a municipality, the meeting must be called by the municipal officers:

(1) Within 15 days after receipt of a request from the school board, if the request is received within 15 days of the budget meeting at which the budget was finally approved and it specifies the article or articles to be reconsidered; or

(2) Within 15 days after receipt of a written application presented in accordance with Title 30-A, section 2532, if the application is received within 15 days of the budget meeting at which the budget was finally approved and it specifies the article or articles to be reconsidered.

**3. Invalidation of action of special budget reconsideration meeting.** If a special budget meeting is called to reconsider action taken at a regular budget meeting, the actions of the meeting are invalid if the number of voters at the special budget meeting is less than the number of voters present at the regular budget meeting.

**4. Line-item transfers.** Meetings requested by a school board for the purpose of transferring funds from one category or line item to another must be posted for voter or council action within 15 days of the date of the request.

**§15695. Bonds; notes; other**

All bonds, notes or other evidences of indebtedness issued for school purposes by a school administrative unit for major capital expenses, bus purchases or current operating expenses, including tax or other revenue anticipation notes, are general obligations of the unit.

**1. Tax assessments.** The municipal officers or school board shall require the sums that are necessary to meet in full the principal of and interest on the bonds, notes or other evidences of indebtedness issued pursuant to this section payable in each year to be assessed and collected in the manner provided by law for the assessment and collection of taxes.

**2. Reduction.** The sums to be assessed and collected under subsection 1 must be reduced by the amount of an allocation of funds appropriated by the Legislature to pay the principal and interest owed by the school administrative unit in a given year as certified to the unit by the commissioner. The commissioner shall certify the amount due to the unit within 30 days of its appropriation by the Legislature.

**3. Collection.** After assessment and reduction under subsection 2, the remaining sum must be paid from ad valorem taxes, which may be levied without limit as to rate or amount upon all the taxable property within the school administrative unit.

**Sec. D-56. 20-A MRSA c. 608** is enacted to read:

**CHAPTER 608**

**SCHOOL FINANCE ACT OF 2003**

**§15751. Short title**

This chapter may be known and cited as "the School Finance Act of 2003."

**§15752. Mandated legislative appropriations for kindergarten to grade 12 education**

The Legislature each year shall provide at least 55% of the cost of the total allocation for kindergarten to grade 12 education from General Fund revenue sources as established in chapter 606-B.

For the purposes of this chapter, and until such time as the Legislature may implement an alternative school funding system, "total allocation" means the foundation allocation for a year, the debt service allocation for that year, the sum of all adjustments for that year and the total of the additional local appropriations for the prior year. In the event the Legislature implements an alternative school funding model that alters the meaning of the terms used in this Title or otherwise makes obsolete the system of allocations and local appropriations established by this Title, the term "total allocation" as it applies to the mandatory appropriation required by this section means the amount reasonably calculated as the equivalent of this definition.

**§15753. Mandated legislative appropriations for special education**

The Legislature shall provide 100% of the state and local cost of providing all special education services mandated under federal or state law, rule or regulation as established in chapter 606-B.

For the purposes of the mandatory appropriation required by this section, and in accordance with the essential programs and services school funding allocation system established in chapter 606-B, the commissioner shall identify and provide in the

commissioner's recommendation pursuant to section 15689-C the total costs to the individual school administrative units associated with providing all special education services mandated under federal or state law, rule or regulation for the school year associated with the commissioner's recommendation. In addition to any appropriations required by section 15689-E, the Legislature shall appropriate and ensure the accurate distribution of the total amount identified by the commissioner, adjusted by the federal reimbursements for the costs of special education services mandated by federal or state law, rule or regulation that will be provided to the individual school administrative units for that same school year.

**§15754. Fund for the Efficient Delivery of Educational Services**

The Fund for the Efficient Delivery of Educational Services, referred to in this section as "the fund," is established.

Two percent of the funds annually appropriated pursuant to this chapter must be dedicated to the fund and distributed from the fund to those school administrative units and municipalities that can demonstrate significant and sustainable savings in the cost of delivering educational services through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems.

**§15755. Entitlement**

The State's school administrative units and municipalities are entitled to the appropriations required by this chapter.

**Sec. D-57. 30-A MRSA §6006-F, sub-§6,** as enacted by PL 1997, c. 787, §13, is amended to read:

**6. Forgiveness of principal payments.** The fund must provide direct grants by forgiving the principal payments of a loan for an eligible school administrative unit. The amount of the forgiveness of principal payments must be determined by the school administrative unit's state share percentage ~~of--debt service-costs~~ as determined in Title 20-A, section ~~15611~~ 15672, subsection 31, not to exceed:

A. Seventy percent and no less than 30% for health, safety and compliance;

B. Seventy percent and no less than 30% for repairs and improvements; and

the Commissioner of Education, shall establish criteria through which school administrative units and municipalities may demonstrate significant and sustainable savings in the cost of delivering educational services and improved achievement through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems.

Prior to the end of fiscal year 2008-09, a school administrative unit or municipality may apply to the Commissioner of Education for a distribution from the fund. Pursuant to criteria established in this section, the commissioner may authorize distributions from the fund in the form of competitive and planning grants.

**Sec. H-3. Fund for the Efficient Delivery of Local and Regional Services; distribution.** In accordance with Initiated Bill 2003, chapter 2, section 4, subsection 3, this section provides for the design, implementation, management and oversight of the Fund for the Efficient Delivery of Local and Regional Services established in the Maine Revised Statutes, Title 30-A, section 5681, subsection 3, referred to in this section as "the fund." The Department of Administrative and Financial Services shall distribute the fund, in the form of competitive grants and planning grants, to municipalities that demonstrate significant and sustainable savings in the cost of delivering local and regional governmental services, or, in the case of planning grants, the potential for such savings, through collaborative approaches to service delivery, enhanced regional delivery systems, the consolidation of regional services and the creation of broad-based purchasing alliances in accordance with the criteria and application process developed by the department pursuant to Public Law 2003, chapter 20, Part W, section 2. The Department of Administrative and Financial Services may contract for services for administration of the fund.

**Emergency clause.** In view of the emergency cited in the preamble, this Act takes effect when approved, except as otherwise indicated.

## SUMMARY

This bill increases the state share of education costs, provides property tax reduction for Maine residents and reduces government spending at all levels. Specifically, the bill accomplishes the following.

Part A reconstitutes and changes the current State Budget Stabilization Fund to further control state spending and taxes.

Part B supports additional property tax reduction by promoting government efficiencies, including efficiencies that might assist implementing property tax reductions from additional state education funding, by the Intergovernmental Advisory Group.

Parts C and E establish caps on the growth of municipal and county spending, respectively. These caps may not be exceeded except in defined extraordinary circumstances or as overridden by a majority vote of the voters of the municipality or county.

Part D establishes a cap on total education costs. It also requires the State to increase its share of school funding by paying 50% of the total cost of essential programs and services in fiscal year 2006-07 and 55% in fiscal year 2008-09. As a result of this increased state aid to education, 90 cents of every dollar of the additional state aid are available for property tax reduction. The funds made available for property tax reduction, as a result of the State's increasing its share of education funding, must reduce property taxes. This property tax reduction may be overridden only by a majority vote of affected voters.

Part D also corrects a numbering problem created when Public Law 2003, chapter 504, Part A, section 6 and Initiated Bill 2003, chapter 2 both enacted substantively different provisions with the same section numbers.

Part F provides funding for increasing property tax relief over the period of time during which the State is increasing funding of education spending up to at least 55%. The specific relief provided is in an increase in the income limits and maximum payment amount to claimants under the Maine Residents Property Tax Program.

Part F expands the nonelderly portion of the Maine Residents Property Tax Program by increasing household income limitations to $50,000 for single-member households and $75,000 for multimember households. The expansion applies to program years beginning on or after August 1, 2005.

Part F directs the State Tax Assessor to undertake a study of the Maine Residents Property Tax Program in order to examine how the maximum benefits under the program may be increased over time. The State Tax Assessor is to report to the joint standing committee of the Legislature having jurisdiction over taxation matters by January 2, 2006.

Part F directs the Maine State Housing Authority to create a tax deferral program. The tax relief option in this section would permit any Maine resident to defer property tax payments on a principal residence, so that no Maine resident will have to pay more than 6% of income in property taxes. The program must require repayment, with interest, of deferred property tax amounts upon transfer of the property. The program must provide for securing the property tax payments deferred, consider equity in the property and provide for low transaction costs and provide for ease of application for program participants. The Maine State Housing Authority and Maine Revenue Services must examine combining administration of the tax deferral program and Maine Residents Property Tax Program.

Part F eliminates the appropriation for the Business Equipment Tax Reimbursement, "BETR," program and in its place creates the Business Equipment Tax Reimbursement Reserve account, to which transfers are made from General Fund undedicated revenue within the individual income tax category in order to pay benefits under the BETR program.

Part G provides that the appropriation limitations for municipalities under Part C are applicable to plantations.

Part H establishes the goal of reducing the total state and local tax burden to the national average in 10 years. It also requires the Governor, in consultation with the Legislative Council, to establish an independent commission to annually assess and report to the Governor and Legislature on progress toward the tax burden reduction goal.

Part H supports additional property tax reduction through grants to municipalities and schools to create cost-saving service delivery.

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# PROPERTY TAX REFORM

MAJORITY

Reproduced and distributed under the direction of the Clerk of the House.

## STATE OF MAINE
## HOUSE OF REPRESENTATIVES
## 122ND LEGISLATURE
## FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 6, L.D. 1, Bill, "An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels"

Amend the bill by striking out everything after the enacting clause and before the emergency clause and inserting in its place the following:

## PART A

**Sec. A-1. 5 MRSA §1511,** as amended by PL 2003, c. 451, Pt. X, §1, is further amended to read:

**§1511. Loan Insurance Reserve**

~~The State Controller shall, at the close of each fiscal year, transfer 16% of the Unappropriated Surplus of the General Fund to the Reserve for General Fund Operating Capital until a maximum of $50,000,000 is achieved.~~ The State Controller ~~is further authorized~~ may, at the close of each fiscal year, ~~to~~ transfer from the Unappropriated Surplus of the General Fund to the Loan Insurance Reserve amounts as may be available from time to time, up to an amount of $1,000,000 per year after the transfers have been made pursuant to section 1507. The balance of this reserve must be paid to the Finance Authority of Maine if such payment does not cause the balance in the reserve fund maintained by the authority, when added to amounts held in the Finance Authority of Maine Mortgage Insurance Fund that are not committed or encumbered for another purpose, to exceed $35,000,000. Any balance in the Loan Insurance Reserve is appropriated for this purpose.

**Sec. D-31. 20-A MRSA §15622** is enacted to read:

**§15622. Repeal**

This chapter is repealed July 1, 2005.

**Sec. D-32. 20-A MRSA §15671, sub-§1,** as amended by PL 2003, c. 712, §9, is further amended to read:

**1. State and local partnership.** The State and each local school administrative unit are jointly responsible for contributing to the cost of the components of essential programs and services described in this chapter. Except as otherwise provided in this subsection, for each fiscal year, the total cost of the components of essential programs and services may not exceed the prior fiscal year's costs multiplied by one plus the average real personal income growth rate as defined in Title 5, section 1665, subsection 1, except that in no case may that rate exceed 2.75%. For fiscal years commencing after the state tax burden ranks in the middle 1/3 of all states, as calculated and certified by the State Tax Assessor, the total cost of the components of essential programs and services may not exceed the prior fiscal year's costs multiplied by one plus the average real personal income growth rate as defined in Title 5, section 1665, subsection 1. The Legislature, by an affirmative vote of each House, may exceed the limitations on increases in the total cost of the components of essential programs and services provided in this subsection, as long as that vote is taken upon legislation stating that it is the Legislature's intent to override the limitation for that fiscal year. The state contribution to the cost of the components of essential programs and services, exclusive of federal funds that are provided and accounted for in the cost of the components of essential programs and services, must be made in accordance with this subsection:

A. The level of the state share of funding attributable to the cost of the components of essential programs and services must be at least 50% of eligible state and local General Fund education costs statewide, no later than fiscal year ~~2007-08~~ 2006-07; and

B. By fiscal year ~~2009-10~~ 2008-09 the state share of the total cost of funding public education from kindergarten to grade 12, as described by essential programs and services, must be 55%. Beginning in fiscal year 2005-06 and in each fiscal year until fiscal year ~~2009-10~~ 2008-09, the state share of essential programs and services described costs must increase toward the 55% level required in fiscal year ~~2009-10~~ 2008-09.

Beginning in fiscal year 2005-06 and in each fiscal year thereafter, the commissioner shall use the funding level determined in accordance with this section as the basis for a recommended funding level for the state share of the cost of the components of essential programs and services.

**Sec. D-33. 20-A MRSA §15671, sub-§§2, 3, 4 and 6,** as enacted by PL 2001, c. 660, §1, are amended to read:

**2. Per-pupil rate amounts.** A per-pupil ~~guarantee~~ rate represents ~~the~~ an amount of funds that is to be made available for each subsidizable pupil. ~~Three per pupil guarantee amounts must be calculated, reflecting grade level cost differences: one for kindergarten to grade 5, one for grades 6 to 8 and one for grades 9 to 12. These per pupil guarantees must be modified as appropriate for special student populations. The per pupil guarantee represents the annual cost of staffing and material resources that are appropriately allocated on a per pupil basis. Categories of staffing and resources are as follows:~~ Per-pupil rates are determined pursuant to section 15676.

~~A. School personnel, including regular and special subject teachers, educational technicians, guidance, library, health services, school administration, support or clerical staff and substitute teachers;~~

~~B. Supplies and equipment;~~

~~C. Specialized services, including professional development, instructional leadership support, student assessment, technology and cocurricular and extracurricular programs; and~~

~~D. School administrative unit services, including system administration and operation and maintenance of plant.~~

**3. Specialized student populations.** In recognition that educational needs can be more costly for some student populations than for others, ~~modified per pupil guarantee amounts or weighted pupil counts must be calculated for specialized student populations~~ special student populations are specifically addressed in sections 15675 and 15681-A, subsection 2. ~~The specialized student populations to be addressed are:~~

~~A. Special education students;~~

~~B. Limited English proficiency students;~~

~~C. Economically disadvantaged students; and~~

~~D.--Students in kindergarten to grade 2.~~

**4. Educational cost components outside the per-pupil rate.** A per-pupil ~~guarantee~~ rate is not a suitable method for allocation of all educational cost components. These components may include, but are not limited to, debt service, transportation, bus purchases, vocational education, small school adjustments, teacher educational attainment and longevity of service and adjustments to general purpose aid. The funding methodology of these educational cost components must be established based on available research.

**6. Targeted funds.** Funds for technology, assessment and the costs of additional investments in educating children in kindergarten to grade 2 as described in section 15681 must be provided as targeted grants. School administrative units shall submit a plan for the use of these funds and shall receive funding based on approval of the plan by the commissioner.

**Sec. D-34. 20-A MRSA §15671, sub-§7,** as amended by PL 2003, c. 712, §10, is further amended to read:

**7. Transition; annual targets.** To achieve the system of school funding based on essential programs and services required by this section, the following annual targets are established.

A. The base total calculated pursuant to section 15683, subsection 2 is subject to the following annual targets ~~for the essential programs and services transition percentage, excluding program cost allocation, debt service allocation and adjustments, are as follows~~.

(1) For fiscal year 2005-06, the target is 84%.

(2) For fiscal year 2006-07, the target is ~~88%~~ 90%.

(3) For fiscal year 2007-08, the target is ~~92%~~ 95%.

(4) For fiscal year 2008-09 and succeeding years, the target is ~~96%~~ 100%.

~~(5) For fiscal year 2009-10 and succeeding years, the target is 100%.~~

B. The annual targets for the state share percentage of the statewide adjusted total cost of the components of essential programs and services are as follows.

(1) For fiscal year 2005-06, the target is 52.6%.

(2) For fiscal year 2006-07, the target is ~~52.6%~~ 53.86%.

(3) For fiscal year 2007-08, the target is ~~53%~~ 54.44%.

(4) For fiscal year 2008-09 and succeeding years, the target is ~~54%~~ 55%.

~~(5) For fiscal year 2009-10 and succeeding years, the target is 55%.~~

**Sec. D-35. 20-A MRSA §15671-A,** as enacted by PL 2003, c. 712, §11, is amended 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~~, including the total allocations for ~~program cost~~ other subsidizable costs, 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~~ 3-A.

C. "Statewide total local share" means the local share, calculated on a statewide basis, of the statewide total cost of the components of essential programs and services as adjusted pursuant to section 15671, subsection 7 to reflect the application of the transition targets to the base total component.

D. "Statewide valuation" means the certified total state valuation for the year prior to the most recently certified total state valuation for all municipalities statewide.

**2. Local cost share expectation.** ~~The local cost share expectation is established as follows.~~ This subsection establishes full-value education mill rates that limit a municipality's required local contribution pursuant to section 15688, subsection 3-A. The full-value mill rates represent rates that, if applied to the statewide valuation, would produce the

statewide total local share. 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, a municipality's required local contribution determined pursuant to section 15688, subsection 3-A establishes the local cost share expectation for that municipality.

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 statewide total ~~of the~~ local ~~cost~~ share ~~expectation~~. The full-value education mill rate is calculated for each fiscal year by dividing the applicable ~~tax year percentage of the projected cost of funding public education from kindergarten to grade 12~~ statewide total local share by the ~~certified total state~~ applicable statewide 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~~ 2008-09 and may not exceed 9.0 mills in fiscal year 2005-06 and may not exceed 8.0 mills in fiscal year ~~2009-10~~ 2008-09. The full-value education mill rate must be applied according to section 15688, subsection ~~3~~ 3-A, 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% statewide total 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%~~ 46.14% statewide total 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%~~ 45.56% statewide total 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%~~ 45.0% statewide total local share in fiscal year 2008-09.

~~(5) For the 2009 property tax year, the full-value education mill rate is the amount necessary to result in a 45.0% local share in fiscal year 2009-10.~~

**3. Exceeding maximum local cost share expectations; separate article.** Beginning with the 2005-2006 school budget, the legislative body of a school administrative unit may adopt ~~property tax rates~~ an additional local appropriation that ~~exceed~~ exceeds the local cost share expectation established by section 15688, subsection ~~3~~ 3-A, paragraph A only if that action is approved in a separate article by a vote of the school administrative unit's legislative body through the same process that the school budget is approved in that school administrative unit and in accordance with section 15690. If that additional appropriation causes the school administrative unit to exceed the maximum state and local spending target described in subsection 4, the requirements of subsection 5 apply.

**4. Maximum state and local spending target.** The maximum state and local spending target for a school administrative unit is the sum of the following costs calculated by the commissioner for the unit:

A. The base total calculated pursuant to section 15683, subsection 1 without the adjustment for transition targets under section 15671, subsection 7, paragraph A;

B. Other subsidizable costs described in section 15681-A; and

C. The debt service allocation pursuant to section 15683-A.

The commissioner shall annually notify each school administrative unit of its maximum state and local spending target.

**5. Exceeding maximum state and local spending target.** If the sum of a school administrative unit's required local contribution determined pursuant to section 15688, subsection 3-A plus the state contribution as calculated pursuant to section

15688, subsection 3-A, paragraph D plus any additional local amount proposed to be raised pursuant to section 15690, subsection 3 exceeds the school administrative unit's maximum state and local spending target established pursuant to subsection 4, the following provisions govern approval of that additional amount.

A. The article approving the additional amount must conform to the requirements of section 15690, subsection 3, paragraph B. Notwithstanding section 1304, subsection 6, section 1701, subsection 7, Title 30-A, section 2528, subsection 5, or any other provision of law, municipal charter provision or ordinance, voter approval of the article, whether in town meeting, district meeting or other voting process established by law, municipal charter or ordinance, including, but not limited to, any vote on the article initiated by voter petition, must be by referendum or written ballot.

B. In a municipality where the responsibility for final adoption of the school budget is vested by the municipal charter in a council, this paragraph applies, except that the petition and referendum provisions apply only if the municipal charter does not otherwise provide for or prohibit a petition and referendum process with respect to the matters described in this paragraph.

(1) A majority of the entire membership of the school board or committee must approve the additional amount in a regular budget meeting.

(2) An article approving the additional amount must conform to the requirements of section 15690, subsection 3, paragraph B and be approved by a majority of the entire membership of the council in a vote taken in accordance with section 15690, subsection 5 or, if the council votes not to approve the article, by a majority of voters voting in a referendum called pursuant to subparagraph (4).

(3) If an article is approved by the council pursuant to subparagraph (2), the voters may petition for a referendum vote on the same article in accordance with subparagraph (4). If a petition is filed in accordance with subparagraph (4), the vote of the council is suspended pending the outcome of the referendum vote. Upon approval of the article by a majority of the voters voting in that referendum, the article takes effect. If the article is not approved by a majority of the voters voting in that referendum, the article

does not take effect. Subsequent to the vote, the school committee or board may again propose an additional amount, subject to the requirements of this section.

(4) If a written petition, signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality, requesting a vote on the additional amount is submitted to the municipal officers within 30 days of the council's vote pursuant to subparagraph (2), the article voted on by the council must be submitted to the legal voters in the next regular election or a special election called for the purpose. The election must be called, advertised and conducted according to the law relating to municipal elections, except that the registrar of voters is not required to prepare or the clerk to post a new list of voters. For the purpose of registration of voters, the registrar of voters must be in session the secular day preceding the election. The voters shall indicate by a cross or check mark placed against the word "Yes" or "No" their opinion on the article. The results must be declared by the municipal officers and entered upon the municipal records.

**Sec. D-36. 20-A MRSA §15672,** as amended by PL 2003, c. 712, §12, is further amended to read:

**§15672. Definitions**

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

**1. Allocation year.** "Allocation year" means the year that subsidy is distributed to school administrative units.

**1-A. Adjusted total cost of components of essential programs and services.** "Adjusted total cost of the components of essential programs and services" means the total cost of the components of essential programs and services adjusted to reflect the application of the transition targets to the base total component as specified in section 15671, subsection 7, paragraph A.

**1-B. Base year.** "Base year" means the 2nd year prior to the allocation year.

**1-C. Bus purchase costs.** "Bus purchase costs" includes expenditures for bus purchases approved by the commissioner and made during the year prior to the allocation year.

2. **Clerical staff.** "Clerical staff" means full-time equivalent public school secretaries, as documented in the department's database.

**2-A. Debt service costs.** "Debt service costs," for subsidy purposes, includes:

A. Principal and interest costs for approved major capital projects in the allocation year, including the initial local share of school construction projects that received voter approval for all or part of their funding in referendum in fiscal year 1984-85, but excluding payments made with funds from state and local government accounts established under the federal Internal Revenue Code and regulations for disposition of excess, unneeded proceeds of bonds issued for a school project;

B. Lease costs for school buildings when the leases, including leases under which the school administrative unit may apply the lease payments to the purchase of portable, temporary classroom space beginning January 1, 1988, have been approved by the commissioner for the year prior to the allocation year. Beginning July 1, 1998 lease costs include costs for leasing:

(1) Administrative space. A school administrative unit may lease administrative space with state support until July 1, 2003. A school administrative unit engaged in a lease-purchase agreement for administrative space is eligible for state support until July 1, 2008;

(2) Temporary interim nonadministrative space.

(a) A school administrative unit with state-approved need for nonadministrative space may lease temporary interim space, with state support, for a maximum of 5 years. A school administrative unit may appeal to the state board if this limitation presents an undue burden. When making a determination on a school administrative unit's request for relief based on undue burden, the state board may consider, but are not limited to considering, the following:

(i) Fiscal capacity;

(ii) Enrollment demographics; and

(iii) Unforeseen circumstances not within the control of the appealing school administrative unit.

The state board's decision is final.

(b) A school administrative unit engaged in a lease-purchase agreement for temporary interim nonadministrative space is eligible for state support for a maximum of 10 years; and

(3) Permanent small nonadministrative space that replaces or is converted from existing approved leased portable space. The existing approved leased portable space will be eligible for state support until July 1, 2003. Once an existing leased portable space has been converted into a permanent nonadministrative space through an approved lease-purchase agreement, that space is eligible for state support for a maximum of 10 years.

The department shall adopt rules necessary to implement this paragraph. Rules adopted by the department to implement this paragraph are major substantive rules pursuant to Title 5, chapter 375, subchapter 2-A;

C. The portion of the tuition costs applicable to the insured value factor for the base year computed under section 5806; and

D. The cost of construction or purchase of portable, temporary classroom space as approved by the commissioner beginning January 1, 1988. For the purposes of this section, "portable, temporary classroom space" means a project consisting of one or more mobile or modular buildings that are at least partially constructed off site and are designed to be moved to other sites with a minimum of disassembly and reassembly. "Portable, temporary classroom space" includes, but is not limited to, space for regular classrooms, small group instruction, libraries, clinics and guidance and administrative office space, including principal and superintendent offices. The department shall adopt rules for approving the purchase, construction or lease-purchase of portable, temporary classroom space and for determining the amount includable for subsidy purposes. Lease-purchase agreements may not exceed a term of 10 years. Approved costs are those for the year prior to the allocation year. The department shall adopt rules necessary to implement this paragraph. Rules

adopted by the department to implement this paragraph are major substantive rules pursuant to Title 5, chapter 375, subchapter 2-A.

**3. Economically disadvantaged students.** "Economically disadvantaged students" means students who are included in the department's count of students who are eligible for free or reduced-price meals or free milk or both.

**4. Education technician.** "Education technician" means a full-time equivalent public teacher aide or education technician I, associate teacher or education technician II or assistant teacher or education technician III but not a special education technician I, II or III, as documented in the department's database.

**5. Elementary free or reduced-price meals percentage.** "Elementary free or reduced-price meals percentage" means the percentage, as determined by the commissioner, that reflects either:

A. The actual percentage of elementary students in a school administrative unit who are eligible to receive free or reduced-price meals or free milk or both; or

B. The commissioner's estimated percentage of elementary students in a school administrative unit who are eligible to receive free or reduced-price meals or free milk or both.

**6. Elementary grades.** "Elementary grades" means kindergarten to grade 8 and includes children enrolled in early kindergarten programs and 4-year-old children enrolled in a 2-year childhood education program prior to grade one.

**7. Elementary school level.** "Elementary school level" means the grades from kindergarten to grade 5 and includes early kindergarten programs and 2-year childhood education programs enrolling 4-year-old children prior to grade one.

**7-A. EPS per-pupil rate.** "EPS per-pupil rate" means the rate calculated under section 15676 or 15676-A, as applicable.

**8. Essential programs and services.** "Essential programs and services" means those educational resources that are identified in this chapter that enable all students to meet the standards in the 8 content standard subject areas of the system of learning results established in chapter 222.

**9. Essential programs and services transition percentage.** "Essential programs and services transition percentage" means the

~~full-estimated-cost-for-all-essential-programs-and-services-for that-fiscal-year-that-will-be-funded-by-a-state-contribution-or by-a-required-local-contribution~~ percentage of the base total calculated pursuant to section 15671, subsection 7, paragraph A.

**9-A. Gifted and talented costs.** "Gifted and talented costs" means the cost of programs for gifted and talented students that have been approved by the commissioner.

**10. Grade 9 to 12 portion.** "Grade 9 to 12 portion" means those pupils in the secondary grades or high school level.

**11. Guidance staff.** "Guidance staff" means full-time equivalent public guidance counselors, directors of guidance or school social workers, as documented in the department's database.

**12. Health staff.** "Health staff" means full-time equivalent public school nurses, as documented in the department's database.

**13. High school level.** "High school level" means grade 9 to grade 12.

**13-A. Institutional resident.** "Institutional resident" means a person between 5 years of age and 20 years of age who is attending a public school of the school administrative unit and who is committed or otherwise legally admitted to and residing at a state-operated institution. "Institutional resident" does not include students attending private facilities, regardless of the means of placement.

~~**14. Income weight.** "Income weight" means a value between zero and one that is used to adjust a municipality's ratio of local median household income to the statewide median household income. The income weight plus the property weight, as defined in subsection 24, must total one.~~

**15. Kindergarten to grade 8 portion.** "Kindergarten to grade 8 portion" means those pupils in the elementary grades or a combination of the elementary school level and middle school level.

**16. Kindergarten to grade 2 student.** "Kindergarten to grade 2 student" means a student in any grade from prekindergarten to grade 2 who is at least ~~5~~ 4 years old on October 15th of the school year.

**17. Librarian.** "Librarian" means a full-time equivalent public librarian or media specialist, as documented in the department's database.

**18. Limited English proficiency student.** "Limited English proficiency student" means a student who was not born in the United States or whose native language is a language other than English and who satisfies the definition of a limited English proficient student under the federal No Child Left Behind Act of 2001, 20 United States Code, Chapter 70.

**18-A. Major capital costs.** "Major capital costs" means costs relating to school construction projects, as defined in section 15901.

**19. Media assistant.** "Media assistant" means a full-time equivalent public librarian aide or library technician I, librarian assistant or library technician II or librarian associate or library technician III, as documented in the department's database.

**20. Middle school level.** "Middle school level" means grade 6 to grade 8.

**20-A. Minor capital costs.** "Minor capital costs" means costs relating to plant maintenance, minor remodeling, site development or the purchase of land not in conjunction with a construction project.

A. "Minor capital costs" does not include construction of new buildings or the purchase of land in conjunction with a school construction project.

B. Expenditures to repay funds borrowed for minor capital expenditures must be considered minor capital costs in the year in which these funds are repaid.

C. Purchase of land made in accordance with this subsection must be approved:

(1) By the legislative body of the school administrative unit; and

(2) By the commissioner, under rules adopted for this purpose.

**21. Municipality.** "Municipality" means a city, town or organized plantation.

**21-A. Other subsidizable costs.** "Other subsidizable costs" means those costs identified in section 15681-A. These costs are part of the total operating allocation under section 15683.

**21-B. Portable, temporary classroom space.** "Portable, temporary classroom space" means one or more mobile or modular buildings that are at least partially constructed off site and that are designed to be moved to other sites with a minimum of disassembly and reassembly.

~~**22. Per pupil guarantee.** "Per pupil guarantee" means the total amount of funds that is made available for each subsidizable pupil representing the following cost components:~~

~~A. Salary and benefit costs for school level teaching staff;~~

~~B. Salary and benefit costs for other identified school level staff;~~

~~C. Designated costs for substitute teachers; and~~

~~D. Identified nonstaffing costs.~~

**22-A. Predicted per-pupil transportation costs.** "Predicted per-pupil transportation costs" means the predicted transportation costs for a school administrative unit based on the number of resident pupils, the number of miles of Class 1 to Class 5 roads in the school administrative unit and approved adjustments. Approved adjustments include a per mile rate equal to the state average gross transportation operating costs per mile driven for transportation associated with out-of-district special education programs, up to 2 round trips per day for vocational education programs, and adjustments for expenditures for ferry services within a school administrative unit, transportation of homeless children in accordance with section 5205 and transportation costs of island school administrative units.

**23. Property fiscal capacity.** "Property fiscal capacity" means the certified state valuation ~~amount~~ for the year prior to the most recently certified state valuation.

~~**24. Property weight.** "Property weight" means a value between zero and one that is used to adjust a municipality's ratio of local per pupil property fiscal capacity to the statewide per pupil property fiscal capacity. The income weight, as defined in subsection 14, plus the property weight must total one.~~

**25. School administrative staff.** "School administrative staff" means full-time equivalent public school principals and assistant principals, as documented in the department's database.

**26. School administrative unit's local contribution to EPS per-pupil rate.** "School administrative unit's local contribution to the ~~per-pupil-guarantee~~ EPS per-pupil rate" means the funds that a school administrative unit provides for each subsidizable pupil who resides in that unit.

**27. School administrative unit's state contribution to EPS per-pupil rate.** "School administrative unit's state contribution to the ~~per-pupil-guarantee~~ EPS per-pupil rate" means the funds that the State provides to a school administrative unit for each subsidizable pupil who resides in that unit.

**28. School level.** "School level" means elementary level, middle school level and high school level.

**29. School level teaching staff.** "School level teaching staff" means full-time equivalent public classroom teachers, itinerant classroom teachers and special teachers of reading or literacy specialists excluding special education teachers and vocational education teachers, as documented in the department's database.

**30. Secondary grades.** "Secondary grades" means grade 9 to grade 12.

**30-A. Special education costs.** "Special education costs" for subsidy purposes includes:

A. The salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform a special education service;

B. The costs of tuition and board to other schools for programs that have been approved by the commissioner and not paid directly by the State. Medical costs are not allowable as part of a tuition charge;

C. The following preschool handicapped services:

(1) The salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform preschool handicapped services that have been approved by the commissioner; and

(2) The cost of tuition to other schools for programs that have been approved by the commissioner; and

D. Special education costs that are the costs of educational services provided to students who are temporarily unable to participate in regular school

programs. Students who may be included are pregnant students, hospitalized students or those confined to their homes for illness or injury, students involved in substance abuse programs within hospital settings or in residential rehabilitation facilities licensed by the Department of Health and Human Services, Office of Alcoholism and Drug Abuse Prevention for less than 6 weeks duration or students suffering from other temporary conditions that prohibit their attendance at school. Students served under this paragraph may not be counted as exceptional students for federal reporting purposes.

**30-B. State-operated institution.** "State-operated institution" means any residential facility or institution that is operated by the Department of Health and Human Services or a school operated by the Department of Education.

**31. State share percentage.** "State share percentage" means the percentage of the ~~sum of the following amounts that is provided by a state appropriation:~~ state contribution determined under section 15688, subsection 3, paragraph B divided by the total cost determined in section 15688, subsection 1.

~~A. Operating costs total allocation, as described in section 15683;~~

~~B. Program costs allocation, as described in section 15608, subsection 2;~~

~~C. Allocations for debt service costs, as defined in section 15603, subsection 8; and~~

~~D. Allocations for all adjustments and miscellaneous costs authorized pursuant to sections 15612 and 15613.~~

**31-A. State subsidy.** "State subsidy" means the total of the state contribution determined under section 15688, subsection 3-A, paragraph B and any applicable adjustment under section 15689.

**31-B. Subsidizable costs.** "Subsidizable costs" includes the costs described in paragraphs A to C and used to calculate the total allocation amount:

A. The total operating allocation under section 15683;

B. Debt service cost; and

C. Adjustments and miscellaneous costs under sections 15689 and 15689-A including special education tuition and board,

excluding medical costs. For purposes of this paragraph, "special education tuition and board" means:

(1) Tuition and board for pupils placed directly by the State in accordance with rules adopted or amended by the commissioner; and

(2) Special education tuition and other tuition for institutional residents of state-operated institutions attending programs in school administrative units or private schools in accordance with rules adopted or amended by the commissioner.

**32. Subsidizable pupils.** "Subsidizable pupils" means all school level pupils who reside in a school administrative unit and who are educated at public expense at a public school or at a private school approved for tuition purposes.

**32-A. Total allocation.** "Total allocation" means the total of the operating allocation as described in section 15683 and the debt service allocation as described in section 15683-A.

Nonsubsidizable costs are not considered in the calculation of the total allocation. "Nonsubsidizable costs" includes the following:

A. Community service costs;

B. Major capital costs;

C. Expenditures from all federal revenue sources, except for amounts received under United States Public Law 81-874;

D. Transportation costs not associated with transporting students from home to school and back home each day; and

E. Costs payable to the Maine State Retirement System under Title 5, section 17154, subsections 10 and 11.

**32-B. Total cost of components of essential programs and services.** "Total cost of the components of essential programs and services" means the total of the following components:

A. The base total determined pursuant to section 15683, subsection 1;

B. Other subsidizable costs identified in section 15681-A;

C. Debt service costs;

D. Adjustments determined pursuant to section 15689; and

E. Miscellaneous costs appropriated pursuant to section 15689-A.

**32-C. Transportation operating costs.** "Transportation operating costs" means all costs incurred in the transportation of pupils in kindergarten to grade 12, including lease costs for bus garage and maintenance facilities and lease-purchase costs that the school administrative unit may apply to the purchase of bus garage and maintenance facilities, when the leases and lease-purchase agreements have been approved by the commissioner, but excluding the costs of bus purchases and excluding all costs not associated with transporting students from home to school and back home each day. The amount includable for determining the subsidy for a school administrative unit for lease-purchase of bus garage and maintenance facilities may not exceed the amount for the lease of a comparable facility.

**32-D. Vocational education costs.** "Vocational education costs" for subsidy purposes means all costs incurred by the vocational regions, centers or satellites in providing approved secondary school vocational education programs, excluding transportation, capital costs and debt service.

**32-E. Year.** "Year" means a fiscal year starting July 1st and ending June 30th of the succeeding year.

**33. Year of funding.** "Year of funding" means the fiscal year during which state subsidies are disbursed to school administrative units, except as specified in section 15005, subsection 1.

**Sec. D-37. 20-A MRSA §15673,** as repealed and replaced by PL 2003, c. 712, §13, is repealed.

**Sec. D-38. 20-A MRSA §15675, sub-§1,** as enacted by PL 2003, c. 504, Pt. A, §6, is amended to read:

**1. Limited English proficiency students.** The additional weights for school administrative units with limited English proficiency students are as follows:

A. For a school administrative unit with 15 or fewer limited English proficiency students, the unit receives an additional weight of .50 per student;

B. For a school administrative unit with more than 15 and fewer than 251 limited English proficiency students, the unit receives an additional weight of .30 per student; and

C. For a school administrative unit with 251 or more limited English proficiency students, the unit receives an additional weight of .60 per student.

Eligibility for state funds under this subsection is limited to school administrative units that are providing services to limited English proficient students through programs approved by the department.

**Sec. D-39. 20-A MRSA §15676,** as enacted by PL 2003, c. 504, Pt. A, §6, is amended to read:

**§15676. EPS per-pupil rate**

For each school administrative unit, the commissioner shall calculate the unit's ~~per-pupil-guarantee~~ EPS per-pupil rate for each year as the sum of:

**1. Teaching staff costs.** The salary and benefit costs for school level teaching staff that are necessary to carry out this Act, calculated in accordance with section 15678, adjusted by the regional adjustment under section 15682 and reduced by the amount of funds received by the school administrative unit during the most recent fiscal year under Title 1 of the federal Elementary and Secondary Act of 1965, 20 United States Code, Section 6301 et seq.;

**2. Other staff costs.** The salary and benefit costs for school-level staff who are not teachers, but including substitute teachers, that are necessary to carry out this Act, calculated in accordance with section 15679, adjusted by the regional adjustment under section 15682 and reduced by the amount of funds received by the school administrative unit during the most recent fiscal year under Title 1 of the federal Elementary and Secondary Act of 1965, 20 United States Code, Section 6301 et seq.; and

**3. Additional costs.** The per-pupil amounts not related to staffing, calculated in accordance with section 15680.

The EPS per-pupil rate is calculated on the basis of which schools students attend. For school administrative units that do not operate their own schools, the EPS per-pupil rate is calculated under section 15676-A.

**Sec. D-40. 20-A MRSA §15676-A** is enacted to read:

**§15676-A. EPS per-pupil rate for units that do not operate schools**

**1. Definitions.** For purposes of this section, the following terms have the following meanings.

A. "Receiving unit" means the school administrative unit to which students are sent by the sending unit.

B. "Receiving unit cost" means the amount arrived at by multiplying the receiving unit's EPS rate by the number of students sent to that unit by the sending unit.

C. "Sending unit" means the school administrative unit sending students to other school administrative units.

**2. Calculation of EPS per-pupil rate.** For school administrative units that do not operate certain types of schools, the commissioner shall calculate that unit's EPS per-pupil rate for each year as follows.

A. For units that do not operate elementary grade schools, the EPS per-pupil rate for elementary grades is calculated by multiplying the number of students sent by the sending unit to an elementary grade receiving unit multiplied by the receiving unit's EPS per-pupil rate for elementary grades and the result divided by the number of students sent by the sending unit to that elementary grade receiving unit. If the sending unit sends students to more than one elementary grade receiving unit, then the elementary grade receiving unit cost for each student sent by the sending unit is added and the result divided by the total number of students sent to elementary grade receiving units by the sending unit. The result is the average elementary grade EPS per-pupil rate for the sending unit.

The EPS per-pupil rate for private schools approved for tuition purposes under chapter 117 is the statewide average EPS per-pupil rate for elementary grades. The elementary attending student count is the most recent October 1st count prior to the allocation year.

B. For units that do not operate secondary grade schools, the EPS per-pupil rate for secondary grades is calculated by multiplying the number of students sent by the sending unit to a secondary grade receiving unit multiplied by the receiving unit's EPS per-pupil rate for secondary grades and the result divided by the number of students sent by the sending unit to that secondary grade receiving unit. If the sending unit sends students to more than one secondary grade receiving unit, then the secondary grade receiving unit cost for each student sent by the sending unit is added and the result divided by the total number of students sent to

secondary grade receiving units by the sending unit. The result is the average secondary grade EPS per-pupil rate for the sending unit.

The EPS per-pupil rate for private schools approved for tuition purposes under chapter 117 is the statewide average EPS per-pupil rate for secondary grades. The secondary attending student count is the most recent October 1st count prior to the allocation year.

**Sec. D-41. 20-A MRSA §15678, sub-§5, ¶B,** as enacted by PL 2003, c. 504, Pt. A, §6, is amended to read:

B. The amount, as determined by the commissioner, that equals the statewide percentage of salary costs that represents the statewide average benefit costs.

**Sec. D-42. 20-A MRSA c. 606-C, headnote,** as enacted by IB 2003, c. 2, §1, is repealed.

**Sec. D-43. 20-A MRSA §15681,** as enacted by IB 2003, c. 2, §1, is repealed.

**Sec. D-44. 20-A MRSA §15681-A** is enacted to read:

**§15681-A. Other subsidizable costs**

The following are other subsidizable costs:

**1. Bus purchases.** Bus purchase costs;

**2. Special education costs.** Beginning in fiscal year 2005-06, a school administrative unit receives an additional weight of at least 1.20 but not greater than 1.40 for each special education student identified on the annual December 1st child count as required by the federal Individuals with Disabilities Education Act for the most recent year, up to a maximum of 15% of the school administrative unit's resident pupils as determined under section 15674, subsection 1, paragraph C, subparagraph (1). For those school administrative units in which the annual December 1st child count for the most recent year is less than 15% of the school administrative unit's resident pupils as determined under section 15674, subsection 1, paragraph C, subparagraph (1), the special education child count percentage may not increase more than 0.5% in any given year, up to a maximum of 1.0% in any given 3-year period. For each special education student above the 15% maximum, the unit receives an additional weight of .38. In addition, each school administrative unit must receive additional funds:

A. For lower staff-student ratios and expenditures for related services for school administrative units with fewer than 20 special education students identified on the annual December 1st child count as required by the federal Individuals with Disabilities Education Act for the most recent year;

B. For high-cost in-district special education placements. Additional funds must be allocated for each student estimated to cost 3 times the statewide special education EPS per-pupil rate. The additional funds for each student must equal the amount by which that student's estimated costs exceed 3 times the statewide special education EPS per-pupil rate;

C. For high-cost out-of-district special education placements. Additional funds must be allocated for each student estimated to cost 4 times the statewide special education EPS per-pupil rate. The additional funds for each student must equal the amount by which that student's estimated costs exceed 4 times the statewide special education EPS per-pupil rate; and

D. To ensure the school administrative unit meets the federal maintenance of effort requirement for receiving federal Individuals with Disabilities Education Act funds.

The commissioner shall develop an appeals procedure for calculated special education costs for school administrative units;

**3. Transportation costs.** For fiscal year 2005-06, the commissioner, using information provided by a statewide education policy research institute, shall establish a per-pupil transportation cost for each school administrative unit based on an analysis of the most recent year's reported transportation expenditures and a predicted per-pupil transportation cost based on the number of resident pupils, the number of miles of Class 1 to Class 5 roads in the school administrative unit and any approved adjustments. In fiscal year 2005-06 the established per-pupil transportation cost for each school administrative unit is the most recent year's reported transportation expenditures or predicted per-pupil transportation cost, plus 10%, whichever is lower. Beginning in fiscal year 2006-07, and for each subsequent fiscal year, the per-pupil transportation costs for each school administrative unit are its established costs for the most recent year adjusted by the Consumer Price Index or other comparable index. For fiscal years 2005-06 and 2006-07, in no case may the per-pupil transportation costs for a school administrative unit be less than 75% of the established costs for the most recent

fiscal year. Every 3 years, the commissioner, using information provided by a statewide education policy research institute, shall examine and may adjust reported transportation expenditures and predicted transportation costs. The commissioner shall develop an appeals procedure for established per-pupil transportation costs for school administrative units;

**4. Vocational education costs.** Vocational education costs in the base year adjusted to the year prior to the allocation year; and

**5. Gifted and talented education costs.** Gifted and talented costs in the base year adjusted to the year prior to the allocation year.

**Sec. D-45. 20-A MRSA §15682,** as enacted by IB 2003, c. 2, §1, is repealed.

**Sec. D-46. 20-A MRSA §15682,** as enacted by PL 2003, c. 504, Pt. A, §6, is amended to read:

**§15682. Regional adjustment**

The commissioner shall make a regional adjustment in the total operating allocation for each school administrative unit determined pursuant to section 15683. The regional adjustment must be based on the regional differences in teacher salary costs within labor market areas in the State, as computed by a statewide education policy research institute, and must be applied only to appropriate teacher salary and benefits costs as calculated under section 15678 and salary and benefit costs of other school-level staff who are not teachers as calculated under section 15679. Beginning in fiscal year 2006-07, and at least every 2 years thereafter, the commissioner, using information provided by a statewide education policy research institute, shall review the regional adjustment amounts under this section and shall submit any recommended changes to the state board for approval.

**Sec. D-47. 20-A MRSA §15683,** as amended by PL 2003, c. 712, §14, is further amended to read:

**§15683. Total operating allocation**

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~~ of other subsidizable costs as described in section 15681-A.

**1. Base total.** The base total of a school administrative unit's total operating allocation is the sum of:

A. The product of the school administrative unit's kindergarten to grade 8 ~~per-pupil--guarantee~~ EPS per-pupil rate multiplied by the total of the kindergarten to grade 8 portions of the following pupil counts:

(1) The pupil count set forth in section 15674, subsection 1, paragraph C;

(2) The additional weight for limited English proficiency students calculated pursuant to section 15675, subsection 1; and

(3) The additional weight for economically disadvantaged students calculated pursuant to section 15675, subsection 2;

B. The product of the school administrative unit's grade 9 to 12 ~~per-pupil-guarantee~~ EPS per-pupil rate multiplied by the total of the grade 9 to 12 portion of the following pupil counts:

(1) The pupil count set forth in section 15674, subsection 1, paragraphs A, B and C;

(2) The additional weight for limited English proficiency students calculated pursuant to section 15675, subsection 1; and

(3) The additional weight for economically disadvantaged students calculated pursuant to section 15675, subsection 2;

C. If the school administrative unit is eligible for targeted student assessment funds pursuant to section 15681, subsection 1, the sum of:

(1) The product of the elementary school level and middle school level per-pupil amount for targeted student assessment funds calculated pursuant to section 15681, subsection 2 multiplied by the kindergarten to grade 8 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); and

(2) The product of the high school level per-pupil amount for targeted student assessment funds calculated pursuant to section 15681, subsection 2 multiplied by

the grade 9 to 12 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1);

D. If the school administrative unit is eligible for targeted technology resource funds pursuant to section 15681, subsection 1, the sum of:

(1) The product of the elementary school level and middle school level per-pupil amount for targeted technology resource funds calculated pursuant to section 15681, subsection 3 multiplied by the kindergarten to grade 8 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); and

(2) The product of the high school level per-pupil amount for targeted technology resource funds calculated pursuant of section 15681, subsection 3 multiplied by the grade 9 to 12 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); ~~and~~

E. If the school administrative unit is eligible for targeted kindergarten to grade 2 funds pursuant to section 15681, subsection 1, the product of the ~~per-pupil-guarantee~~ EPS per-pupil rate multiplied by the additional weight for kindergarten to grade 2 calculated pursuant to section 15675, subsection 3~~.~~ ; and

F. An isolated small unit adjustment. A school administrative unit is eligible for an isolated small school adjustment when the unit meets the size and distance criteria as established by the commissioner and approved by the state board. The amount of the adjustment is the result of adjusting the necessary student-to-staff ratios determined in section 15679, subsection 2, the per-pupil amount for operation and maintenance of plant in section 15680, subsection 1, paragraph B or other essential programs and services components in chapter 606-B, as recommended by the commissioner.

**2. Adjustments.** The base total calculated pursuant to subsection 1 must be adjusted ~~as follows~~ by multiplying it by the appropriate transition percentage in accordance with section 15671, subsection 7, paragraph A.

~~A. The base total calculated pursuant to subsection 1 must be reduced by the amount of all funds received by the school administrative unit under Title I of the federal Elementary~~

~~and Secondary Education Act of 1965, 20 United States Code, Section 6301 et seq. during the most recent fiscal year.~~

~~B. The amount calculated pursuant to paragraph A must be adjusted by the regional adjustment pursuant to section 15682.~~

~~C. The amount calculated pursuant to paragraph B must be multiplied by the essential programs and services transition percentage for the appropriate year in accordance with section 15671, subsection 7, paragraph A.~~

**Sec. D-48. 20-A MRSA §15683,** as enacted by IB 2003, c. 2, §1, is repealed.

**Sec. D-49. 20-A MRSA §15683-A** is enacted to read:

**§15683-A. Total debt service allocation**

For each school administrative unit, that unit's total debt service allocation is that unit's debt service costs as defined in section 15672, subsection 2-A.

**Sec. D-50. 20-A MRSA §15684,** as enacted by PL 2003, c. 712, §15 and IB 2003, c. 2, §1, is repealed.

**Sec. D-51. 20-A MRSA §15685,** as enacted by PL 2003, c. 504, Pt. A, §6 and IB 2003, c. 2, §1, is repealed.

**Sec. D-52. 20-A MRSA §15686,** as amended by PL 2003, c. 712, §16, is further amended to read:

**§15686. Transition adjustment**

For each of the fiscal years described in section 15671, subsection 7, the commissioner shall establish a transition adjustment calculated to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of this Act. The transition adjustment for a municipality must be directly related to the phase-in of essential programs and services and the local cost share expectation method under section 15671-A of determining the local contribution to the cost of funding essential programs and services. The amount of this adjustment must decline with each successive fiscal year, and the adjustments must end no later than fiscal year ~~2009-10~~ 2008-09.

**1. Adjustment in fiscal year 2005-06.** A school administrative unit is eligible for a transition adjustment in fiscal year 2005-06 if the school administrative unit meets the following criteria.

A. The school administrative unit's state share of the total allocation, including the debt service adjustment pursuant to section 15689, subsection 2, and the minimum state share of its total allocation pursuant to section 15689, subsection 1 is less than the fiscal year 2004-05 state share of its total allocation, including the minimum state share of its total allocation pursuant to former section 15689, subsection 1 and the adjustment for geographic isolation pursuant to section 15612, subsection 2. The state share adjustment is an amount equal to that difference less the losses due to reduced expenditures for buses, debt service, special education, gifted and talented education and vocational education.

A school administrative unit that meets the criteria in paragraph A is eligible to receive no less than a 5% transition adjustment in fiscal year 2005-06 if the school administrative unit operates an elementary or secondary school and also has a student count of less than 1,000.

A school administrative unit that meets the criteria in paragraph A is eligible to receive no less than a 2.5% transition adjustment in fiscal year 2005-06 if the school administrative unit operates an elementary or secondary school and also has a student count of more than 1,000.

**Sec. D-53. 20-A MRSA §15688, sub-§1, ¶¶A to C,** as enacted by PL 2003, c. 712, §17, are amended to read:

A. The school administrative unit's base total ~~cost--of funding--essential--programs--and--services--subject--to--the transition-percentages~~ calculated pursuant to section 15683, subsection 1, adjusted pursuant to the transition targets described in section 15671, subsection 7, paragraph A;

B. The ~~program-cost-allocation-as-used-in-chapter-606~~ other subsidizable costs described in section 15681-A; and

C. The total debt service allocation ~~as-used-in-chapter-606~~ described in section 15683-A.

**Sec. D-54. 20-A MRSA §15688, sub-§2,** as enacted by PL 2003, c. 712, §17, is amended to read:

**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~~ education multiplied by the percentage that the municipality's most recent calendar year average pupil count is to the school administrative district's or community school district's most recent calendar year average pupil count.

**Sec. D-55. 20-A MRSA §15688, sub-§3,** as enacted by PL 2003, c. 712, §17, is repealed.

**Sec. D-56. 20-A MRSA §15688, sub-§3-A** is enacted to read:

**3-A. School administrative unit; contribution.** For each school administrative unit, the commissioner shall annually determine the school administrative unit's required contribution, the required contribution of each municipality that is a member of the unit, if the unit has more than one member, and the State's contribution to the unit's total cost of education in accordance with the following.

A. For a school administrative unit composed of only one municipality, the contribution of the unit and the municipality is the same and is the lesser of:

(1) The total cost described in subsection 1; and

(2) The total of the full-value education mill rate calculated in section 15671-A, subsection 2 multiplied by the property fiscal capacity of the municipality.

B. For a school administrative district or community school district composed of more than one municipality, each municipality's contribution to the total cost of education is the lesser of:

(1) The municipality's total cost as described in subsection 2; and

(2) The total of the full-value education mill rate calculated in section 15671-A, subsection 2 multiplied by the property fiscal capacity of the municipality.

C. For a school administrative district or community school district composed of more than one municipality, the unit's contribution to the total cost of education is the lesser of:

(1) The total cost as described in subsection 1; and

(2) The sum of the totals calculated for each member municipality pursuant to paragraph B, subparagraph (2).

D. 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 or C, as applicable. The state contribution is subject to reduction in accordance with section 15690, subsection 1, paragraph C.

**Sec. D-57. 20-A MRSA §15688, sub-§4,** as enacted by PL 2003, c. 712, §17, is amended to read:

**4. Method of cost sharing; exception.** For the purpose of local cost sharing, the provisions of subsection ~~3~~ 3-A 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.

**Sec. D-58. 20-A MRSA §15689, sub-§1,** as enacted by PL 2003, c. 712, §17, is repealed and the following enacted in its place:

**1. Minimum state allocation.** Each school administrative unit must be guaranteed a minimum state share of its total allocation that is an amount equal to the greater of the following:

A. The sum of the following calculations:

(1) 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

(2) 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); and

B. The school administrative unit's special education costs as calculated pursuant to section 15681-A, subsection 2 multiplied by the following transition percentages:

(1) In fiscal year 2005-06, 84%;

(2) In fiscal year 2006-07, 90%;

(3) In fiscal year 2007-08, 95%; and

(4) In fiscal year 2008-09 and succeeding years, 100%.

These funds must be an adjustment to the school administrative unit's state and local allocation after the state and local allocation has been adjusted for debt service pursuant to subsection 2.

**Sec. D-59. 20-A MRSA §15689, sub-§3,** as enacted by PL 2003, c. 712, §17, is amended to read:

**3. Adjustment limitations.** The amounts of the adjustments paid to school administrative units or municipalities ~~in subsections 1 and 2~~ pursuant to this section are limited to the amounts appropriated by the Legislature for these adjustments.

**Sec. D-60. 20-A MRSA §15689, sub-§§4 to 6** are enacted to read:

**4. Audit adjustments.** The following provisions apply to audit adjustments.

A. If errors are revealed by audit and by the commissioner, the school administrative unit's state subsidy must be adjusted to include corrections.

B. If audit adjustments are discovered after the funding level is certified by the commissioner and the state board on December 15th pursuant to section 15689-C, the department may request the necessary additional funds, if any, to pay for these adjustments. These amounts, if any, are in addition to the audit adjustment amount certified by the commissioner and state board on the prior December 15th.

**5. Adjustment for cost of educating eligible students in long-term drug treatment centers.** A school administrative unit that operates an educational program approved pursuant to chapter 327 to serve eligible students in licensed drug treatment centers must be reimbursed in the year in which costs are incurred as follows.

A. Reimbursements must be limited to a maximum of 12 state average tuition rates a year for each approved plan.

B. The rate of reimbursement per student may not exceed the state average tuition rates in effect during the year of placement as computed under sections 5804 and 5805. The tuition rates must be computed based on the state average secondary tuition rate and may be adjusted if the program is approved to operate beyond the 180-day school year.

**6. Adjustment for uncertified personnel.** The commissioner shall reduce the state share of the total allocation to a school administrative unit in the current year or following year by an amount that represents the state share of expenditures for salaries and benefits paid to uncertified personnel.

**Sec. D-61. 20-A MRSA §§15689-A to 15689-F** are enacted to read:

**§15689-A. Authorization of payment of miscellaneous costs**

**1. Payment of state agency client costs.** State agency client costs are payable pursuant to this subsection. As used in this subsection, "state agency client" has the same meaning as defined in section 1, subsection 34-A.

A. The commissioner shall approve special education costs and supportive services, including transportation, for all state agency clients placed in residential placements by an authorized agent of a state agency.

B. Special education costs authorized by this subsection for state agency clients must be paid by the department in the allocation year at 100% of actual costs.

C. The commissioner shall pay only approved special education costs and supportive services, including transportation, authorized by this subsection for state agency clients and may not allocate for those special education costs and supportive services, including transportation, incurred by the school administrative unit for state agency clients in the base years starting July 1, 1985, and every base year thereafter.

D. Transportation costs for state agency clients, when provided in accordance with rules established by the commissioner under section 7204, must be paid by the department in the allocation year at 100% of actual costs.

**2. Education of institutional residents.** The commissioner may pay tuition to school administrative units or private schools for institutional residents within the limits of the allocation made under this section.

**3. Essential programs and services components contract.** The commissioner may contract for the updating of the essential programs and services component with a statewide education research institute.

**4. Learning results implementation, assessment and accountability.** The commissioner may expend and disburse funds limited to the amount appropriated by the Legislature to carry out the purposes of Public Law 1995, chapter 649, sections 5 and 8.

**5. Regionalization, consolidation and efficiency assistance.** The commissioner may expend and disburse funds limited to the amount appropriated by the Legislature to carry out the purposes of promoting regionalization, consolidation and efficiency.

**6. Education research contract.** The commissioner may contract for the compilation and analysis of education data with a statewide education research institute.

**7. Disbursement limitations.** The funds disbursed in accordance with this section are limited to the amounts appropriated by the Legislature for these purposes.

**§15689-B. Authorization and schedules of payment of state subsidy; appeals**

**1. Schedules of payment of unit allocation.** The commissioner shall authorize state subsidy payments to the school administrative units to be made in accordance with time schedules set forth in sections 15005, 15689-D and 15901 to 15910.

**2. Notification of allocation; commissioner's duty; superintendent's duty.** The following provisions apply to notification of allocation by the commissioner and each superintendent.

A. The commissioner shall annually, prior to February 1st, notify each school board of the estimated amount to be allocated to the school administrative unit.

B. Each superintendent shall report to the municipal officers whenever the school administrative unit is notified of the allocation or a change is made in the allocation resulting from an adjustment.

**3. Payments of state subsidy to unit's treasurer; basis.** State subsidy payments must be made directly to the treasurer of

each school administrative unit. The payments must be based on audited financial reports submitted by school administrative units.

**4. Appeals.** A school board may appeal the computation of state subsidy for the school administrative unit to the state board in writing within 30 days of the date of notification of the computed amount. The state board shall review the appeal and make an adjustment if in its judgment an adjustment is justified. The state board's decision is final as to facts supported by the record of the appeal.

**5. School purpose expense requirement.** Notwithstanding any other law, money allocated for school purposes may be expended only for school purposes.

**6. Balance of allocations.** Notwithstanding any other law, general operating fund balances at the end of a school administrative unit's fiscal year must be carried forward to meet the unit's needs in the next year or over a period not to exceed 3 years. Unallocated balances in excess of 3% of the previous fiscal year's school budget must be used to reduce the state and local share of the total allocation for the purpose of computing state subsidy. School boards may carry forward unallocated balances in excess of 3% of the previous year's school budget and disburse these funds in the next year or over a period not to exceed 3 years.

**7. Required data; subsidy payments withheld.** A school administrative unit shall provide the commissioner with information that the commissioner requests to carry out the purposes of this chapter, according to time schedules that the commissioner establishes. The commissioner may withhold monthly subsidy payments from a school administrative unit when information is not filed in the specified format and with specific content and within the specified time schedules.

**8. Unobligated balances.** Unobligated balances from amounts appropriated for general purpose aid for local schools may not lapse but must be carried forward to the next fiscal year.

**§15689-C. Commissioner's recommendation for funding levels; computations**

**1. Annual recommendation.** Prior to December 15th of each year, the commissioner, with the approval of the state board, shall recommend to the Governor and the Department of Administrative and Financial Services, Bureau of the Budget the funding levels that the commissioner recommends for the purposes of this chapter.

2 **2. Funding level computations.** The following are the funding level computations that support the commissioner's
4 funding level recommendations:

6 A. The requested funding levels for the operating allocation under section 15683;

8 B. The requested funding levels for debt service under
10 section 15683-A, which are as follows:

12 (1) The known obligations and estimates of anticipated principal and interest costs for the allocation year;

14 (2) The expenditures for the insured value factor for
16 the base year;

18 (3) The level of lease payments and lease-purchase payments pursuant to section 15672, subsection 2-A for
20 the year prior to the allocation year; and

22 (4) Funds allocated by the state board for new school construction projects funded in the current fiscal year;

24 C. The requested funding levels for adjustments under
26 section 15689, which must be computed by estimating costs for the allocation year; and

28 D. The requested funding levels for miscellaneous costs
30 under section 15689-A.

32 **3. Guidelines for updating other subsidizable costs.** The commissioner's recommendation for updating percentages to bring
34 base year actual costs to the equivalent of one-year-old costs may not exceed the average of the 2 most recent percentages of
36 annual increase in the Consumer Price Index.

38 **§15689-D. Governor's recommendation for funding levels**

40 The Department of Administrative and Financial Services, Bureau of the Budget shall annually certify to the Legislature
42 the funding levels that the Governor recommends under sections 15683, 15683-A, 15689 and 15689-A. The Governor's
44 recommendations must be transmitted to the Legislature within the time schedules set forth in Title 5, section 1666.

46

**§15689-E. Actions by Legislature**

48

The Legislature shall annually, prior to March 15th, enact
50 legislation to:

**1. Appropriation for state share of adjustments, debt service and operating; single account.** Appropriate the necessary funds for the State's share for general purpose aid for local schools with a separate amount for each of the following components:

A. Adjustments and miscellaneous costs described in sections 15689 and 15689-A, including an appropriation for special education pupils placed directly by the State, for:

(1) Tuition and board for pupils placed directly by the State in accordance with rules adopted or amended by the commissioner; and

(2) Special education tuition and other tuition for residents of state-operated institutions attending programs in school administrative units or private schools in accordance with rules adopted or amended by the commissioner; and

B. The state share of the total operating allocation and the total debt service allocation described in sections 15683 and 15683-A; and

**2. Local cost share expectation.** Establish the local cost share expectation described in section 15671-A.

Funds for appropriations under this section must be placed in a single account.

**§15689-F. Actions by department**

Within the annual appropriations, the department shall follow the procedures described in this section.

**1. State's obligation.** If the State's continued obligation for any program provided by one of the appropriated amounts under section 15689-E exceeds the appropriated amount, any unexpended balance from another of those appropriated amounts may be applied by the commissioner toward the obligation for that program.

**2. Cash flow.** For the purpose of cash flow, the commissioner may pay the full state and local share of the payment amounts due on bond issues for school construction from that school administrative unit's state subsidy, excluding payments on non-state-funded projects. This subsection does not apply if a school administrative unit has less subsidy than the total principal and interest payment on bonds.

**Sec. D-62. 20-A MRSA §§15690 to 15695** are enacted to read:

**§15690. Local appropriations**

Beginning with the budget for the 2005-2006 school year, the following provisions apply to local appropriations for school purposes.

**1. School administrative unit contribution to total cost of funding public education from kindergarten to grade 12.** The legislative body of each school administrative unit may vote to raise and appropriate an amount up to its required contribution to the total cost of education as described in section 15688.

A. For a municipal school unit, an article in substantially the following form must be used when a single municipal school administrative unit is considering the appropriation of an amount up to its required contribution to the total cost of education as described in section 15688.

(1) "Article.....: To see what sum the municipality will appropriate for the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act (Recommend $.....) and to see what sum the municipality will raise as the municipality's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act in accordance with the Maine Revised Statutes, Title 20-A, section 15688. (Recommend $.....)"

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act is the amount of money determined by state law to be the minimum amount that a municipality must raise in order to receive the full amount of state dollars."

B. For a school administrative district or a community school district, an article in substantially the following form must be used when the school administrative district or community school district is considering the appropriation of an amount up to its required contribution to the total cost of education as described in section 15688.

(1) "Article ....: To see what sum each municipality will appropriate for the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and to see what sum each municipality will raise as each municipality's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act in accordance with the Maine Revised Statutes, Title 20-A, section 15688 (Recommends):

| Total cost by municipality | Municipal local contribution |
|---|---|
| Town A ($amount) | Town A ($amount) |
| Town B ($amount) | Town B ($amount) |
| Town C ($amount) | Town C ($amount) |
| School District Total ($sum of above) | School District Total ($sum of above)" |

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act is the amount of money determined by state law to be the minimum amount that each municipality must raise in order to receive the full amount of state dollars."

C. The state share of the total cost of funding public education from kindergarten to grade 12 as described in section 15688, excluding state-funded debt service for each school administrative unit, is limited to the same proportion as the local school administrative unit raises of its required contribution to the total cost of education as described in section 15688, excluding state-funded debt service costs.

**2. Non-state-funded debt service.** For each school administrative unit's contribution to debt service for non-state-funded major capital school construction projects or non-state-funded portions of major capital school construction projects, the legislative body of each school administrative unit

may vote to raise and appropriate an amount up to the municipality's or district's annual payments for non-state-funded debt service.

A. An article in substantially the following form must be used when a school administrative unit is considering the appropriation for debt service allocation for non-state-funded school construction projects or non-state-funded portions of school construction projects.

(1) "Article ....: To see what sum the (municipality or district) will raise for the annual debt service payments on a non-state-funded school construction project or non-state-funded portion of a school construction project in addition to the funds appropriated as the local share of the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12. (Recommend $.....)"

(2) The following statement must accompany the article in subparagraph (1). "Explanation: Non-state-funded debt service is the amount of money needed for the annual payments on the (municipality's or district's) long-term debt for major capital school construction that is not approved for state subsidy. The bonding of this long-term debt was approved by the voters on (date of original referendum)."

**3. Additional local appropriation.** A school administrative unit may raise and expend funds for educational purposes in addition to the funds under subsections 1 and 2.

A. If the amount of the additional funds does not result in the unit's exceeding its maximum state and local spending target established pursuant to section 15671-A, subsection 4, an article in substantially the following form must be used when a school administrative unit is considering the appropriation of additional local funds:

(1) "Article ....: To see what sum the (municipality or district) will raise and to appropriate the sum of (Recommend $.....) in additional local funds for school purposes under the Maine Revised Statutes, Title 20-A, section 15690. (Recommend $.....)"

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The additional local funds are those locally raised funds over and above the school administrative unit's local

contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and local amounts raised for the annual debt service payment on non-state-funded school construction projects or the non-state-funded portion of a school construction project that will help achieve the (municipality's or district's) budget for educational programs."

B. If the amount exceeds the unit's maximum state and local spending target established pursuant to section 15671-A, subsection 4, an article in substantially the following form must be used when a school administrative unit is considering an appropriation of additional local funds.

(1) "Article ....: Shall (name of municipality or district) raise and appropriate $..... in additional local funds, which exceeds the State's Essential Programs and Services funding model by $.....?"

The (school committee or board of directors) recommends $..... for the following reasons: (state reasons)

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The additional local funds are those locally raised funds over and above the school administrative unit's local contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and local amounts raised for the annual debt service payment on non-state-funded school construction projects or the non-state-funded portion of a school construction project that will help achieve the (municipality's or district's) budget for educational programs."

**4. Total budget article.** A school administrative unit must include a summary article indicating the total annual budget for funding public education from kindergarten to grade 12 in the school administrative unit. The amount recommended must be the gross budget of the school system. This article does not provide money unless the other articles are approved.

A. "Article ....: To see what sum the (municipality or district) will authorize the school committee to expend for the fiscal year beginning (July 1, ....) and ending (June 30, ....) from the school administrative unit's contribution to the total cost of funding public education from

kindergarten to grade 12 as described in the Essential Programs and Services Funding Act, non-state-funded school construction projects, additional local funds for school purposes under the Maine Revised Statutes, Title 20-A, section 15690, unexpended balances, tuition receipts, state subsidy and other receipts for the support of schools. (Recommend $.....)"

**5. Vote.** Actions taken pursuant to subsections 1 to 4 must be taken by a recorded vote.

**6. Administrative costs for units with no pupils.** If a school administrative unit is required to pay administrative costs and has no allocation of state or local funds, that unit may raise and expend funds for administrative costs.

**§15691. Municipal assessment paid to district**

**1. Presentation of assessment schedule.** The assessment schedule based on the budget approved at a community school district or school administrative district budget meeting must be presented to the treasurer of each municipality that is a member of the district.

The assessment schedule must include each member municipality's share of the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in section 15688, the school administrative unit's contribution to debt service for non-state-funded school construction projects and additional local funds for school purposes under section 15690.

**2. Municipal treasurer's payment schedule.** The treasurer of the member municipality, after being presented with the assessment schedule, shall forward 1/12 of that member municipality's share to the treasurer of the district on or before the 20th day of each month of the fiscal year beginning in July.

**§15692. Special school districts**

**1. School administrative unit.** For the purposes of section 15695 and Title 20, sections 3457 to 3460, a special school district is deemed to be a school administrative unit.

**2. Debt service.** Debt service on bonds or notes issued by a special school district must be included in the school budget of the school administrative unit that operates the schools constructed by that district. The school board for the school administrative unit that operates the special district's schools

shall pay to the special school district all sums necessary to meet the payments of principal and interest on bonds or notes when due and to cover maintenance or other costs for which the special school district is responsible.

**§15693. School budget; budget formats**

**1. Content.** A school administrative unit shall include in its school budget document:

A. The school administrative unit's total cost of funding public education from kindergarten to grade 12, its non-state-funded debt service, if any, and any additional expenditures authorized by law;

B. A summary of anticipated revenues and estimated school expenditures for the fiscal year; and

C. The following statement, including the estimated dollar amount of state retirement payments: "This budget does not include the estimated amount of $..... in employer share of teacher retirement costs that is paid directly by the State."

**2. Budget deadlines.** The following time limitations apply to adoption of a school budget under this section.

A. At least 7 days before the initial meeting of the legislative body responsible for adopting a budget, the school administrative unit shall provide a detailed budget document to that legislative body and to any person who requests one and resides within the geographic area served by the school administrative unit.

B. Notwithstanding a provision of law or charter to the contrary, school administrative units may adopt an annual budget prior to June 30th. The school budgets for career and technical education regions must be adopted on or before August 1st.

C. Notwithstanding any municipal charter provision, ordinance or other law to the contrary, if the level of state subsidy for the next school year is not finalized in accordance with this chapter before June 1st, the school board may delay a school budget meeting otherwise required to be held before July 1st to a date after July 1st. If a school board elects to delay a school budget meeting under this paragraph, the meeting must be held and the budget approved within 30 days of the date the commissioner notifies the school board of the amount allocated to the

school administrative unit under section 15689-B. When a school budget meeting is delayed under this paragraph, the school administrative unit may continue operation of the unit at the same budget levels as were approved for the previous year. Continued operation under the budget for the previous year is limited to the time between July 1st and the date the new budget goes into effect.

**3. Budget format.** The following provisions apply to a budget format.

A. Except as provided in subsection 4, the budget format is that prescribed by a majority of the school board until an article prescribing the school budget format is approved by a majority of voters in an election in which the total vote is at least 20% of the number of votes cast in the municipality in the last gubernatorial election, or 200, whichever is less.

B. The format of the school budget may be determined in accordance with section 1306.

C. It is the intent of the Legislature that a school board shall attempt to obtain public participation in the development of the school budget format.

**4. Budget format; town or city charter.** In a municipality where the responsibility for final adoption of the school budget is vested by municipal charter in a council, the school budget format may be changed through amendment of the charter under the home rule procedures of Title 30-A, chapter 111, except that the amendment must be approved by a majority of voters in an election in which the total vote is at least 20% of the number of votes cast in the municipality in the last gubernatorial election.

**5. Budget format; town meeting.** When the final budget authority is vested in a town meeting operating under the general enabling procedures of Title 30-A, the format of the school budget may be determined by the town meeting or under the procedures of Title 30-A, section 2522 or 2528.

**6. Budget format; community school district.** The following provisions apply to the budget format of a community school district.

A. An article containing the district's proposed budget format must be placed on the next warrant issued or ballot printed if:

(1) A majority of the district school committee votes to place it on the warrant or ballot; or

(2) A written petition signed by at least 10% of the number of voters voting in the last gubernatorial election in each municipality within the community school district requests it to be on the warrant or ballot.

B. The article containing the budget format may be voted on by secret ballot at an election conducted in accordance with Title 30-A, sections 2528 to 2532.

C. The district school committee shall:

(1) Issue a warrant specifying that the municipal officers of the municipalities within the community school district shall place the budget format article on the secret ballot; and

(2) Prepare and furnish the required number of ballots for carrying out the election, including absentee ballots.

**7. Budget format; articles.** The articles prescribed in this chapter must be included in the budget format and be voted on in the adoption of the budget in order to determine state and local cost sharing.

**8. Change in budget format.** Any change in the budget format must be voted on at least 90 days prior to the budget year for which that change is to be effective.

**§15694. Actions on budget**

The following provisions apply to approving a school budget under this chapter.

**1. Checklist required.** Prior to a vote on articles dealing with school appropriations, the moderator of a regular or special school budget meeting shall require the clerk or secretary to make a checklist of the registered voters present. The number of voters listed on the checklist is conclusive evidence of the number present at the meeting.

**2. Reconsideration.** Notwithstanding any law to the contrary, in school administrative units where the school budget is finally approved by the voters, a special budget meeting to reconsider action taken on the budget may be called only as follows.

A. The meeting must be held within 30 days of the regular budget meeting at which the budget was finally approved.

B. In a school administrative district or community school district, the meeting must be called by the school board or as follows.

(1) A petition containing a number of signatures of legal voters in the member municipalities of the school administrative unit equalling at least 10% of the number of voters who voted in the last gubernatorial election in member municipalities of the school administrative unit, or 100 voters, whichever is less, and specifying the article or articles to be reconsidered must be presented to the school board within 15 days of the regular budget meeting at which the budget was finally approved.

(2) On receiving the petition, the school board shall call the special budget reconsideration meeting, which must be held within 15 days of the date the petition was received.

C. In a municipality, the meeting must be called by the municipal officers:

(1) Within 15 days after receipt of a request from the school board, if the request is received within 15 days of the budget meeting at which the budget was finally approved and it specifies the article or articles to be reconsidered; or

(2) Within 15 days after receipt of a written application presented in accordance with Title 30-A, section 2532, if the application is received within 15 days of the budget meeting at which the budget was finally approved and it specifies the article or articles to be reconsidered.

**3. Invalidation of action of special budget reconsideration meeting.** If a special budget meeting is called to reconsider action taken at a regular budget meeting, the actions of the meeting are invalid if the number of voters at the special budget meeting is less than the number of voters present at the regular budget meeting.

**4. Line-item transfers.** Meetings requested by a school board for the purpose of transferring funds from one category or line item to another must be posted for voter or council action within 15 days of the date of the request.

**§15695. Bonds; notes; other**

All bonds, notes or other evidences of indebtedness issued for school purposes by a school administrative unit for major capital expenses, bus purchases or current operating expenses, including tax or other revenue anticipation notes, are general obligations of the unit.

**1. Tax assessments.** The municipal officers or school board shall require the sums that are necessary to meet in full the principal of and interest on the bonds, notes or other evidences of indebtedness issued pursuant to this section payable in each year to be assessed and collected in the manner provided by law for the assessment and collection of taxes.

**2. Reduction.** The sums to be assessed and collected under subsection 1 must be reduced by the amount of an allocation of funds appropriated by the Legislature to pay the principal and interest owed by the school administrative unit in a given year as certified to the unit by the commissioner. The commissioner shall certify the amount due to the unit within 30 days of its appropriation by the Legislature.

**3. Collection.** After assessment and reduction under subsection 2, the remaining sum must be paid from ad valorem taxes, which may be levied without limit as to rate or amount upon all the taxable property within the school administrative unit.

**Sec. D-63. 20-A MRSA c. 608** is enacted to read:

**CHAPTER 608**

**SCHOOL FINANCE ACT OF 2003**

**§15751. Short title**

This chapter may be known and cited as "the School Finance Act of 2003."

**§15752. Mandated legislative appropriations for kindergarten to grade 12 education**

In accordance with the phase-in schedule provided in chapter 606-B, beginning in fiscal year 2008-09, the Legislature each year shall provide at least 55% of the cost of the total allocation for kindergarten to grade 12 education from General Fund revenue sources.

For the purposes of this chapter, and until such time as the Legislature may implement an alternative school funding system, "total allocation" means the foundation allocation for a year, the debt service allocation for that year, the sum of all adjustments for that year and the total of the additional local appropriations for the prior year. In the event the Legislature implements an alternative school funding model that alters the meaning of the terms used in this Title or otherwise makes obsolete the system of allocations and local appropriations established by this Title, the term "total allocation" as it applies to the mandatory appropriation required by this section means the amount reasonably calculated as the equivalent of this definition.

**§15753. Mandated legislative appropriations for special education**

Except as provided in section 15689, subsection 1, but notwithstanding any other provision of chapter 606-B, the Legislature shall provide 100% of a school administrative unit's special education costs as calculated pursuant to section 15681-A, subsection 2.

For the purposes of the mandatory appropriation required by this section, and in accordance with the essential programs and services school funding allocation system established in chapter 606-B, the commissioner shall identify and provide in the commissioner's recommendation pursuant to section 15689-C the total special education costs required to be funded pursuant to this section. In addition to any appropriations required by section 15689-E, the Legislature shall appropriate and ensure the accurate distribution of the total amount identified by the commissioner, adjusted by the federal reimbursements for the costs of special education services mandated by federal or state law, rule or regulation that will be provided to the individual school administrative units for that same school year.

**§15754. Fund for the Efficient Delivery of Educational Services**

The Fund for the Efficient Delivery of Educational Services, referred to in this section as "the fund," is established as a dedicated nonlapsing account within the Department of Education. This section provides for the design, implementation, administration and use of the fund.

**1. Source of funds; purpose.** Funds for appropriations under this section must be appropriated in addition to the total amount annually appropriated for general purpose aid for local schools and must be placed into a single account. Beginning in fiscal year 2005-06 and in each succeeding fiscal year until fiscal year 2008-09, an amount calculated to be not greater than 2% of the total amount annually appropriated for general purpose

aid for local schools must be dedicated to the fund and distributed from the fund to those school administrative units and municipalities that are able to demonstrate significant and sustainable savings in the cost of delivering educational services and improved student achievement through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems.

Beginning in fiscal year 2005-06, the Legislature shall annually, prior to March 15th, enact legislation to allocate the following amounts calculated based on the amount appropriated for general purpose aid for local schools to the fund during each of the following fiscal years:

A. In fiscal year 2005-06, an amount equivalent to 0.83% of the total amount appropriated for general purpose aid for local schools;

B. In fiscal year 2006-07, an amount equivalent to 0.69% of the total amount appropriated for general purpose aid for local schools;

C. In fiscal year 2007-08, an amount equivalent to 1.5% of the total amount appropriated for general purpose aid for local schools; and

D. In fiscal year 2008-09, an amount equivalent to 2% of the total amount appropriated for general purpose aid for local schools.

Any balance remaining in the fund at the end of any fiscal year does not lapse and must be carried forward for the next fiscal year.

**2. Administration; plan for implementation of the fund.** The department shall administer the fund or may contract for services for administration of the fund. The commissioner, in consultation with the Executive Department, State Planning Office and the other agencies, organizations and individuals determined appropriate by the commissioner, shall establish an implementation plan for the fund that includes, but is not limited to, the following:

A. The establishment of criteria through which school administrative units and municipalities may demonstrate significant and sustainable savings in the cost of delivering educational services and improved student

achievement through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems;

B. Pursuant to criteria established in accordance with this section, a school administrative unit or municipality may apply to the commissioner for a distribution from the fund during the period beginning with the start of fiscal year 2005-06 and ending prior to the end of fiscal year 2008-09; and

C. Pursuant to criteria established in accordance with this section, the commissioner may authorize distributions from the fund in the form of competitive and planning grants.

**§15755. Entitlement**

The State's school administrative units and municipalities are entitled to the appropriations required by this chapter.

**Sec. D-64. 30-A MRSA §2181, sub-§4, ¶E,** as enacted by PL 2003, c. 696, §12, is amended to read:

E. Identify best management practices and make this information available to the public, including, but not limited to, best management practices that facilitate property tax rate reduction pursuant to the increasing state share of the total cost of essential programs and services under Title 20-A, chapter 606-B;

**Sec. D-65. 30-A MRSA §6006-F, sub-§6,** as enacted by PL 1997, c. 787, §13, is amended to read:

**6. Forgiveness of principal payments.** The fund must provide direct grants by forgiving the principal payments of a loan for an eligible school administrative unit. The amount of the forgiveness of principal payments must be determined by the school administrative unit's state share percentage ~~of--debt service-costs~~ as determined in Title 20-A, section ~~15611~~ 15672, subsection 31, not to exceed:

A. Seventy percent and no less than 30% for health, safety and compliance;

B. Seventy percent and no less than 30% for repairs and improvements; and

C. ~~Fifty~~ Seventy percent and no less than ~~20%~~ 30% for learning space upgrades.

**Sec. D-66. Fund for the Efficient Delivery of Educational Services; implementation plan.** The Commissioner of Education shall submit a proposed plan to govern the design, implementation, management and oversight of the Fund for the Efficient Delivery of Educational Services established in the Maine Revised Statutes, Title 20-A, section 15754 to the Joint Standing Committee on Education and Cultural Affairs by March 31, 2005. As part of this review, the commissioner shall consider the efficient delivery of educational services in rural and isolated small school administrative units. The joint standing committee may report out a bill designed in accordance with the intentions of this Part to govern the design, implementation, management and oversight of the Fund for the Efficient Delivery of Educational Services.

**Sec. D-67. Fund for the Efficient Delivery of Educational Services; distribution of the fund in fiscal year 2005-06.** Notwithstanding the Maine Revised Statutes, Title 20-A, section 15754, the allocations from the General Purpose Aid to Local Schools program in fiscal year 2005-06 to the Fund for the Efficient Delivery of Educational Services must be used for the transition adjustment pursuant to Title 20-A, section 15686, subsection 1. The allocation of funds from the Fund for the Efficient Delivery of Educational Services must be distributed to school administrative units that are eligible for the transition adjustment under the criteria established in Title 20-A, section 15686, subsection 1.

**Sec. D-68. Sharing of total costs in school administrative districts and community school districts; Department of Education review.** Notwithstanding the Maine Revised Statutes, Title 20-A, section 15688, subsection 2 and to ensure that member municipalities of school administrative districts and community school districts whose cost-sharing formulas were established in accordance with Title 20-A, sections 1301 and 1704, respectively, do not experience significant adverse effects as a result of the cost-sharing mechanism established pursuant to Title 20-A, section 15688, subsection 2, the Department of Education shall conduct a review and analysis, for each school administrative unit, of the implications of this proposed cost-sharing mechanism on the member municipalities of these school administrative districts and community school districts. The Department of Education shall assist the member municipalities of these school districts in developing transition plans that include a phase-in to achieve the new method of determining member municipalities' local cost of education in accordance with Title 20-A, section 15688, subsection 2 no later than fiscal year 2008-09. The

Department of Education shall report the findings of this review, including any recommended legislation, to the Joint Standing Committee on Education and Cultural Affairs by March 31, 2005. The Joint Standing Committee on Education and Cultural Affairs is authorized to introduce a bill related to the Department of Education report to the First Regular Session of the 122nd Legislature.

**Sec. D-69. Method of cost sharing; exception.** Beginning in fiscal year 2005-06, the provisions of the Maine Revised Statutes, Title 20-A, section 15688, subsection 2 do not apply in determining the local cost of education of member municipalities in Maine School Administrative Districts No. 6 and No. 44. The cost-sharing formulas established between the member municipalities in these 2 school administrative districts prior to January 1, 2005 remain in effect until the formulas are changed pursuant to Title 20-A, section 1301, subsection 3. Pursuant to section 68, all other school administrative districts and community school districts whose cost-sharing formulas were established in accordance with Title 20-A, sections 1301 and 1704, respectively, remain subject to a phase-in approach to achieve the requirements of Title 20-A, section 15688, subsection 2 and must reach full implementation of this provision no later than fiscal year 2008-09.

**Sec. D-70. Criteria for isolated small school adjustment; rulemaking.** For fiscal year 2005-06 and pursuant to the Maine Revised Statutes, Title 20-A, section 15683, subsection 1, paragraph F, the Commissioner of Education shall use the proposed model that was approved by the State Board of Education during its December 2004 meeting to determine the school administrative units that qualify for the adjustment for isolated small schools, except that the commissioner shall use the following criterion change for isolated small elementary schools: for elementary schools, the distance from the nearest school is reduced from 10 to 8 miles. The commissioner shall develop provisionally adopted rules that establish the qualifications for the adjustment for isolated small schools in accordance with Title 20-A, section 15687 no later than December 2, 2005 so that the Legislature may consider these criteria during the Second Regular Session of the 122nd Legislature.

**Sec. D-71. Transition adjustment for fiscal year 2006-07.** To minimize the adverse fiscal impact that may be experienced by some school administrative units as a result of the phase-in of the Essential Programs and Services Funding Act, the Commissioner of Education shall facilitate a review and analysis of the need for a transition adjustment in fiscal year 2006-07. The Commissioner of Education, no later than January 13, 2006, shall make a recommendation to the Joint Standing Committee on

Education and Cultural Affairs regarding the eligibility requirements and funding levels necessary for a transition adjustment in fiscal year 2006-07. The recommendations of the Commissioner of Education must be consistent with the provisions of the Maine Revised Statutes, Title 20-A, section 15686.

**Sec. D-72. Application.** This Part applies to school budgets passed for the fiscal year beginning July 1, 2005, and thereafter.

**Sec. D-73. Effective date.** Except for that portion of this Part that enacts the Maine Revised Statutes, Title 20-A, section 15754 and that portion that amends Title 30-A, section 2181, subsection 4, paragraph E, and except for sections 66 to 71, this Part takes effect July 1, 2005.

## PART E

**Sec. E-1. 36 MRSA §6201, sub-§1,** as amended by PL 1993, c. 670, §9, is further amended to read:

**1. Benefit base.** "Benefit base" means property taxes accrued or rent constituting property taxes accrued. In the case of a claimant paying both rent and property taxes for a homestead, benefit base means both property taxes accrued and rent constituting property taxes accrued. <u>The benefit base may not exceed $3,000 for single-member households and $4,000 for households with 2 or more members.</u>

**Sec. E-2. 36 MRSA §6201, sub-§11-A,** as amended by PL 1999, c. 401, Pt. R, §1 and affected by §2, is further amended to read:

**11-A. Rent constituting property taxes accrued for nonelderly household.** "Rent constituting property taxes accrued for nonelderly household" means ~~18%~~ <u>20%</u> of the gross rent actually paid in cash or its equivalent in any tax year by a claimant and the claimant's household solely for the right of occupancy of their Maine homestead in the tax year and which rent constitutes the basis, in the succeeding calendar year, of a claim for relief under this chapter by the claimant.

**Sec. E-3. 36 MRSA §6204,** as amended by PL 2001, c. 396, §42, is further amended to read:

**§6204. Filing date**

A claim may not be paid unless the claim is filed with the Bureau of Revenue Services on or after August 1st and on or before the following ~~December~~ <u>May</u> 31st.

**Sec. E-4. 36 MRSA §6207, sub-§1, ¶A-1,** as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, is further amended to read:

A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of ~~$1,000~~ $2,000.

**Sec. E-5. 36 MRSA §6207, sub-§2,** as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, is repealed.

**Sec. E-6. 36 MRSA §6209,** as amended by PL 1989, c. 508, §25, is further amended to read:

**§6209. Annual adjustment**

**1. Household limitation adjustment.** ~~Beginning March 1, 1989, and annually thereafter, the~~ The State Tax Assessor shall determine annually the household income eligibility adjustment factor. That factor ~~shall~~ must be multiplied by the applicable income limitations in section 6206, as previously adjusted according to this subsection, ~~applicable~~ for the year prior to that for which relief is requested. The result ~~shall~~ must be rounded to the nearest $100 and ~~shall apply~~ applies to the year for which relief is requested corresponding to the year on which the annualized cost of living adjustments were based. ~~Beginning March 1, 1991, the same procedure shall be employed to adjust the income limitation in section 6207, subsection 2.~~

**2. Benefit base maximum adjustment.** Beginning March 1, 2006, the State Tax Assessor shall annually multiply the household income eligibility adjustment factor by the maximum benefit base amounts specified in section 6201, subsection 1, as previously adjusted. The result must be rounded to the nearest $50 and applies to the application period beginning the next August 1st.

**Sec. E-7. Application.** This Part applies to claims for benefits under the Maine Residents Property Tax Program filed for application periods that begin on or after August 1, 2005.

## PART F

**Sec. F-1. 36 MRSA §683, sub-§1,** as repealed and replaced by PL 2003, c. 20, Pt. BB, §1 and affected by §3, is repealed and the following enacted in its place:

| SECTION TOTALS | 2005-06 | 2006-07 |
|---|---|---|
| GENERAL FUND | $13,806,717 | $585,039 |
| OTHER SPECIAL REVENUE FUNDS | $6,962,382 | $6,194,152 |
| SECTION TOTAL - ALL FUNDS | $20,769,099 | $6,779,191 |

## SUMMARY

Part A establishes a General Fund appropriation limitation that limits the growth of General Fund revenues to the rate established by a formula that is based on real personal income growth and population growth. The limit is higher when the state and local tax burden for the State is reduced to the middle 1/3 of all states.

Part A also restructures the Maine Budget Stabilization Fund and changes the primary use of the fund to budget stabilization during periods when General Fund revenues are insufficient to meet allowable General Fund appropriations. The Maine Budget Stabilization Fund is capped at 12% of General Fund revenues. When all designated year-end transfers of excess General Fund revenues have reached their caps, excess revenues are transferred to a new Tax Relief Fund for Maine Residents.

Part B establishes limits on the growth of county tax assessments.

Part C establishes limits on the growth of municipal property tax levies.

Part D:

1. Provides a 4-year ramp to achieve 55% state share of 100% of essential programs and services;

2. Modifies special education distributions by reducing the minimum state allocation adjustment in fiscal year 2005-06 to be the greater of the 5% minimum allocation or a percentage of the school unit's special education costs. The percentage of special education costs is increased from 84% to 100%. This provides funds to be used for transition adjustments in fiscal year 2005-06;

3. Provides funds in fiscal year 2005-06 for transition adjustments. Funds are provided by the modification to the minimum state allocations as described in 2, above. Funds are also provided by transferring funds from the Fund for the

Efficient Delivery of Educational Services. The amendment moves a portion of the planned fiscal year 2006-07 appropriation to that fund forward to fiscal year 2005-06, thus making more funds available for transfer to transition adjustment purposes;

4. Directs the Commissioner of Education to develop and report recommendations for a transition adjustment in fiscal year 2006-07 to the Joint Standing Committee on Education and Cultural Affairs;

5. Directs the Department of Education to phase-in the impact of cost-sharing change; the Department of Education is directed to report its plan to the Joint Standing Committee on Education and Cultural Affairs by March 31, 2005;

6. Exempts SAD 6 and SAD 44 from the total cost of education mechanism enacted by Public Law 2003, chapter 712;

7. Provides a school administrative unit spending cap based on 100% of the essential programs and services total cost of education and provides for a local override process. It defines the article that must be voted upon in order to exceed the cap. It requires that in all cases where local voter approval of the article is provided for, the vote must be by referendum or written ballot. It provides that in cases where a municipal charter places final approval of the school budget in a council, a majority of the entire membership of the school board and the council must approve the article and, if the charter is otherwise silent as to the opportunity for voter approval of the article, provides for a voter petition process to call a referendum on the article;

8. Addresses conflicting provisions regarding administration and oversight of the Fund for Efficient Delivery of Educational Services. The Department of Education is directed to develop a proposed plan for administration and management of the fund, and the Joint Standing Committee on Education and Cultural Affairs is authorized to report out a bill to the First Regular Session of the 122nd Legislature; and

9. Clarifies one change to the criteria to be used in determining the adjustment for isolated small schools in fiscal year 2005-06 and directs the Commissioner of Education to develop provisionally adopted rules on the adjustment for isolated small schools and submit those rules to the Second Regular Session of the 122nd Legislature.

Part E changes the Maine Residents Property Tax Program, also known as the circuit breaker program, by eliminating income eligibility requirements, raising the maximum benefit from $1,000 to $2,000, extending the application period through May 31st

annually and establishing the maximum property taxes and rent constituting property taxes that may be considered in calculating the benefit.

Part F increases the homestead property tax exemption to $13,000 for all homesteads.

Part G sets the ceiling on the Local Government Fund under state-municipal revenue sharing at $100,000,000 in fiscal year 2005-06 and provides for future indexing of the ceiling according to the Consumer Price Index. This change increases the portion of state-municipal revenue sharing funds transferred to the Disproportionate Tax Burden Fund, also referred to as Revenue Sharing 2, which provides greater payments to municipalities with tax rates exceeding 10 mills.

Part H establishes the goal of reducing the total state and local tax burden to the middle 1/3 of all states by 2015. It also requires the State Planning Office to monitor and report on the progress of state and local government in meeting this goal and to collect and analyze data relating to state and local spending and revenues.

Part I adds an appropriations and allocations section.

**FISCAL NOTE REQUIRED**
**(See attached)**

Approved: 01/17/05 MRC

# 122nd MAINE LEGISLATURE

**LD 1** **LR 0328(02)**

**An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels**

**Fiscal Note for Bill as Amended by Committee Amendment " "**
**Committee: Joint Select Committee on Property Tax Reform**
**Fiscal Note Required: Yes**
**Majority Report**

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## Fiscal Note

| | 2005-06 | 2006-07 | Projections 2007-08 | Projections 2008-09 |
|---|---|---|---|---|
| **Net Cost (Savings)** | | | | |
| General Fund | $ 29,678,528 | $ 16,751,144 | $ 32,806,416 | $ 41,288,094 |
| **Appropriations/Allocations** | | | | |
| General Fund | $ 13,806,717 | $ 585,039 | $ 15,079,495 | $ 21,430,377 |
| Other Special Revenue Funds | $ 6,962,382 | $ 6,194,152 | $ 14,552,541 | $ 20,730, |
| **Revenue** | | | | |
| General Fund | $ (15,871,811) | $ (16,166,105) | $ (17,726,921) | $ (19,857,717) |
| Other Special Revenue Funds | $ (870,605) | $ (886,749) | $ (972,363) | $ (1,089,242) |

**Fiscal Detail and Notes**

| **General Fund Summary - Costs (Savings)** | **2005-06** | **2006-07** | **2007-08** | **2008-09** |
|---|---|---|---|---|
| Additional amount needed to fund EPS in bill above Governor's Current Services Budget Proposal for the 2006-2007 Biennium[1] | $6,463,417 | $ (5,963,417) | $ - | $ - |
| Additional amount needed to fund Efficient Delivery of Educational Services Fund[2] | $ 6,962,382 | $ 6,194,152 | $ 14,552,541 | $ 20,730,626 |
| Homestead 50% @ $13,000[3] | $ 53,872 | $ 162,789 | $ 330,135 | $ 497,481 |
| Homestead - Mandate Reimbursement | $ 115,000 | $ - | $ - | $ - |
| Circuit Breaker Expansion[4] | $ 16,594,129 | $ 16,866,209 | $ 18,443,539 | $ 20,590,019 |
| Individual Income Tax[5] | $ (722,318) | $ (700,104) | $ (716,618) | $ (732,302) |
| State Planning Office | $ 50,000 | $ 50,000 | $ 50,000 | $ 50,000 |
| Maine Revenue Services Administrative Costs | $ 162,046 | $ 141,515 | $ 146,819 | $ 152,270 |
| Net General Fund Cost (Savings) | $ 29,678,528 | $ 16,751,144 | $ 32,806,416 | $ 41,288,( |
| Net Funding Contained in Budget | $ 4,481,802 | $ 4,445,590 | $ 4,423,817 | $ 4,416,359 |
| Additional Amount Required | $ 25,196,726 | $ 12,305,554 | $ 28,382,599 | $ 36,871,735 |

[1] Additional General Fund amount required is a function of funding EPS model as in LD 1 vs. what is included in the Governor's Proposed Current Services Budget for the 2006-2007 Biennium. It does not reflect the impact of IB 2003, Chapter 2, approved by the voters on June 8, 2004, which becomes operative in January of 2005, barring legislative action.

[2] The General Fund appropriations required to fund the State's share of the cost of Essential Programs and Services for FY 2005-06 and FY 2006-07, as proposed in this legislation, is included in the Governor's Proposed Current Services Budget for the 2006-2007 Biennium. Additional General Fund appropriations will be required to establish the Fund for the Efficient Delivery of Educational Services as a dedicated fund within the Department of Education which was approved by the voter's in IB 2003, c. 2. However, this bill differs from IB 2003, c. 2 in that it proposes to phase-in the requirement that 2% of the annual state appropriation for education be dedicated to providing incentive-based resources to those local school units or municipalities that develop sustainable cost savings in the delivery of educational services. It also allows for the funds to be used for transition adjustments in fiscal year 2005-06 only in order to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of the Essential Programs and Services model.

[3] Appropriations required to fund the Homestead exemption at $13,000 with 50% reimbursement from the State to the Municipalities.

[4] Revenue loss from the expansion of the Maine Residents Property Tax program (Circuit Breaker).

[5] Increase in individual income tax revenue as a result of changes in the deductability of local property taxes.

**'her Impacts**

This bill establishes a General Fund appropriations limitation and limitations on county and municipal tax assessments. It also changes the authorized uses of the Maine Budget Stabilization Fund, the statutory cap on the balance of the fund and the methodology for determining transfers into the fund.

The bill increases the percentage of a loan for learning space upgrades from the School Revolving Renovation Fund that may be forgiven. Increasing the percentage of a loan that may be forgiven may result in less money being available from the Fund for future projects. The impact to the Fund cannot be determined at this time.

| **Local Government Fund Impact** | **2005-06** | **2006-07** | **2007-08** | **2008-09** |
|---|---|---|---|---|
| Revenue loss - Circuit Breaker expansion | $ (910,226) | $ (925,151) | $ (1,011,671) | $ (1,129,410) |
| Revenue increase - Individual Income Tax | $ 39,621 | $ 38,402 | $ 39,308 | $ 40,168 |
| Net Change | $ (870,605) | $ (886,749) | $ (972,363) | $ (1,089,242) |

This fiscal estimate is based on the Governor's draft budget proposals as presented on January 7, 2005 and may have to be revised based on final legislative actions.

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**STATE OF MAINE**
**SENATE**
**122ND LEGISLATURE**
**FIRST REGULAR SESSION**

SENATE AMENDMENT "J" to COMMITTEE AMENDMENT "A" to H.P. 6, L.D. 1, Bill, "An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels"

Amend the amendment by striking out all of the first paragraph after the title (page 1, lines 23 to 25 in amendment) and inserting in its place the following:

'Amend the bill by striking out all of the emergency preamble.

Further amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:'

Further amend the amendment in Part B by inserting after section 2 the following:

'**Sec. B-3. Retroactivity.** This Part applies retroactively to July 1, 2005.'

Further amend the amendment in Part C by inserting after section 3 the following:

'**Sec. C-4. Retroactivity.** This Part applies retroactively to July 1, 2005.'

Further amend the amendment in Part D by striking out all of section 73 and inserting in its place the following:

'**Sec. D-73. Retroactive application.** This Part applies retroactively to July 1, 2005.'

Further amend the amendment in Part E by inserting after section 7 the following:

'**Sec. E-8. Retroactivity.** This Part applies retroactively to August 1, 2005.'

Further amend the amendment in Part F by striking out all of section 5 and inserting in its place the following:

'**Sec. F-5. Retroactive application.** This Part applies retroactively to property tax valuations determined on or after April 1, 2005.'

Further amend the amendment by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

## SUMMARY

This amendment strikes the emergency preamble and emergency clause and makes portions of the amendment apply retroactively.

SPONSORED BY: M. Brennan
(Senator BRENNAN)

COUNTY: Cumberland

FISCAL NOTE REQUIRED
(See attached)

Approved: 01/20/05 mac

# 122nd MAINE LEGISLATURE

**LD 1** **LR 0328(27)**

**An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels**

**Fiscal Note for Senate Amendment "J" to Committee Amendment "A"**
**Sponsor: Sen. Brennan**
**Fiscal Note Required: Yes**

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## Fiscal Note

Minor state impact

**Fiscal Detail and Notes**

This amendment makes the effective date for certain program expansions retroactive. This change is not expected to affect the General Fund appropriations or revenues in the bill.

**STAFF SUMMARY OF LD 1, An Act To Increase the State Share of education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels (Emergency)**

| PART | SUMMARY |
|---|---|
| A | 1. Establishes limitation on increase in annual GF appropriations by establishing a growth factor equal to one plus the 10 year average real personal income growth rate plus the average forecasted inflation rate. |
| | 2. Repeals and reestablishes the Maine Budget Stabilization Fund (MBSF)<br>A. MBSF is capped at 12% of GF revenues and may not be reduced below 1% of GF revenue except in case of declared budget emergency<br>B. Amounts in the fund may be expended to offset the amount by which the GF appropriation limitation exceeds forecasted GF revenues and other available resources.<br>C. Provides that investment proceeds exceeding the 12% cap will be transferred to Retirement Allowance Fund |
| | 3. Changes year-end budget transfers<br>Transfer — Current law — LD 1<br>Year-end GF — unapprop surplus<br>excess revenue<br>to MBSF — 32%<br>32%<br>to Retirement Allowance Fund — 32%<br>32%<br>to Working Capital Reserve — 16%<br>16%<br>to Loan Insurance Reserve (FAME) — $1 Mil — ???<br>Remaining GF balance — Remains in GF<br>Forecasted GF revenue exceeding — to<br>MBSF<br>appropriation limitation |
| | 4. Provides that if Legislature has adjourned sine die and Commissioner of DAFS declares that GF resources are insufficient to meet GF appropriations the Governor may reduce the MBSF below 1% to bring budget back into balance |
| | 5. Provides that departments and agencies seeking Highway fund allocations must limit requests to a growth factor of one plus the 10 year average real personal income tax growth rate. This limitation does not apply to highway and bridge improvement accounts. |
| | 6. Requires Revenue Forecasting Committee in December biennial report to calculate long-term economic growth rate limitation (10 year average real personal income growth plus average forecasted inflation). |
| B | Expands duties of Intergovernmental Advisory Committee to include identification of best management practices that facilitate property tax reduction pursuant to increasing state share of EPS. |

| | |
|---|---|
| C | Establishes limitation on municipal spending by limiting property tax revenue growth to an income growth factor plus a property growth factor. In years where the state and local tax burden is in the top 1/3 of states, the income growth factor is limited to 2.75%. |
| D | 1. Establishes a cap on the growth in the total cost of Essential Programs and Services and requires a vote of the Legislature to override the limitation. |
| | 2. Accelerates the transition for the State to fund 55% of the total cost of EPS by one year (from FY 2009-10 to FY 2008-09) |
| | 3. Establishes maximum state and local spending targets for school administrative units and requires a vote of the legislative body of the SAU in order to exceed the limitation. |
| | 4. Defines transportation and special education costs under EPS. |
| | 5. Makes technical changes due to the repeal of Title 20-A, Chapter 606 and the implementation of Essential Programs and Services. |
| E | Establishes a limitation on county spending by limiting growth of the assessment on municipalities to an income growth factor plus a property growth factor. In years where the state and local tax burden is in the top 1/3 of states, the income growth factor is limited to 2.75%. |
| F | 1. During period of transition to 55% state EPS funding, the appropriation for reimbursing municipalities for homestead exemptions must remain be at least $36,000,000 annually. Year end balances must be transferred to the circuit breaker reserve account. |
| | 2. Changes basic transfers to the circuit breaker reserve. Current law requires the transfer of amounts needed to provide benefits. LD 1 requires that for FYs 07-09, the transfer equals the amount forecasted as necessary for benefits by the Revenue Forecasting Committee in its 12/1/04 report as adjusted by the State Tax Assessor to reflect subsequent statutory changes. Beginning in FY 10 and until state funding of EPS reached 55%, the RFC must assume that funding for EPS was never enacted.(???) |
| | 3. By August 15, 2007 and annually thereafter, the State Tax Assessor shall determine an amount by which the maximum circuit breaker benefit may be increased using the amounts in the circuit breaker reserve. |
| | 4. Income eligibility levels for the circuit breaker program are raised to $50,000 for a single member household and $70,000 for a multiple member household for applications filed beginning August 1, 2005. |
| | 5. Changes funding for the BETR program from a GF appropriation to a reduction from GF revenue in the individual income tax category. |

| | |
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| | Deappropriates 78.1 million in FY 06 and $83.0 million in FY 07 from the BETR program. Results in loss of $4.1 million in FY 06 and $4.3 million in FY 07 from the Local Government Fund (revenue sharing). |
| | 6. Directs State Tax Assessor to study the circuit breaker program, examine how to increase the maximum benefit and the potential benefits of making the benefit a part of the income tax. |
| | 7. Directs the Maine State Housing Authority to develop a plan to issue bonds to support a property tax deferral program to permit the persons to defer taxes on their principal residences that exceed 6% of their income. |
| **G** | Provides that municipal appropriation/property tax limitations apply to plantations. |
| **H** | 1. Establishes goal of reducing Maine's state and local tax burden to the national average by 2015. |
| | 2. Directs the Governor to establish and appoint an independent commission to assess and report on the progress made by all government levels in achieving the goal of national average state and local tax burden. The commission reports annually beginning January 15, 2006 to the Joint Standing Committee on Taxation. Commission may recommend strategies to achieve goal. |
| | 3. Establishes 4-year phase-in of contributions to the Fund for the Efficient Delivery of Educational Services to reach 2% of GPA by FY 09. Department of Education directed to establish criteria for use of the fund. |
| | 4. Directs Department of Administrative and Financial Services to distribute the Fund for the Efficient Delivery of Local and Regional Services through competitive grants and planning grants to municipalities that demonstrate significant and sustainable savings through efficiencies or regional efforts. |
| **Emergency clause** | Bill takes effect when approved (unless other dates established in the bill). |

| PROPOSED | NOTES |
|---|---|
| **PART A**<br><br>**Sec. A-1. 5 MRSA §1511,** as amended by PL 2003, c. 451, Pt. X, §1, is repealed.<br><br>**Sec. A-2. 5 MRSA §1513,** as amended by PL 2003, c. 451, Pt. X, §§2 to 4, is repealed.<br><br>**Sec. A-3. 5 MRSA §1517,** as amended by PL 2003, c. 451, Pt. X, §6, is repealed. | |
| **Sec. A-4. 5 MRSA c. 142** is enacted to read:<br><br>CHAPTER 142<br><br>MAINE BUDGET STABILIZATION FUND<br><br>§1531. Definitions<br><br>As used in this chapter, unless the context other wise indicates, the following terms have the following meanings.<br><br>**1. Adjusted General Fund appropriation.** "Adjusted General Fund appropriation" means the General Fund appropriation for a given fiscal year plus any non-General Fund allocation for that fiscal year that will require a General Fund appropriation in upcoming fiscal years.<br><br>**2. Baseline General Fund revenue.** "Baseline General Fund revenue" means the recommended | |

| PROPOSED | NOTES |
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| General Fund revenue forecast reported by the Revenue Forecasting Committee in its December 1st report, increased by the estimated amount of net tax reductions enacted in either the previous or current Legislature. The estimated amount of net tax reductions is based on the estimates of the Office of Fiscal and Program Review.<br><br>**3. Commissioner.** "Commissioner" means the Commissioner of Administrative and Financial Services.<br><br>**4. General Fund revenue shortfall.** "General Fund revenue shortfall" means the amount by which the General Fund appropriation limitation established by section 1534 exceeds baseline General Fund revenues and other available resources in each state fiscal year of the current fiscal biennium and the next fiscal biennium, as recommended and authorized by the Revenue Forecasting Committee in its December 1st report.<br><br>**5. Stabilization fund.** "Stabilization fund" means the Maine Budget Stabilization Fund established in this chapter.<br><br>**§1532. Maine Budget Stabilization Fund**<br><br>**1. Generally; Stabilization Fund established.** The Maine Budget Stabilization Fund is hereby established. Amounts in the stabilization fund may not exceed 12% of total General Fund revenues in the immediately preceding state fiscal year and, except as provided by section 1533, may not | |

| PROPOSED | NOTES |
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| be reduced below 1% of the total General Fund revenues in the immediately preceding state fiscal year.<br><br>**2. Expenditures from fund.** Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall.<br><br>**3. Fund to be nonlapsing.** The balance of the stabilization fund may not lapse but must be carried forward to carry out the purposes of this chapter.<br><br>**4. Investment of funds.** The money in the stabiliz ation fund may be invested as provided by law with the earnings credited to the stabilization fund.<br><br>**5. Investment proceeds; exception.** At the close of every month during which the stabilization fund is at the 12% limitation described in subsection 1, the State Controller shall transfer from the General Fund to the Retirement Allowance Fund established in section 17251 an amount equivalent to the investment earnings that otherwise would have been credited to the stabilization fund.<br><br>**6. Death benefits.** The Governor shall allocate funds from the stabilization fund as needed to pay benefits due pursuant to Title 25, chapter 195-A. Allocations may be made upon written request of the Chief of the State Police, State Fire Marshal or Director of Maine Emergency Medical Services, and after consultation with the State Budget | |

| PROPOSED | NOTES |
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| Officer.<br><br>**§1533. Declaration of budget emergency**<br><br>If the Legislature has adjourned sine die prior to the close of a fiscal year and the commissioner determines that available General Fund resources will not be sufficient to meet General Fund appropriations, the commissioner may declare a budget emergency, and the Governor may reduce the stabilization fund below the 1% minimum threshold established by section 1532, but only to a level sufficient to bring the budget back into balance. The Governor shall inform the Legislative Council immediately upon such transfers from the stabilization fund.<br><br>**§1534. General Fund appropriation limitation**<br><br>The General Fund appropriation for each fiscal year of the current fiscal biennium and the next fiscal biennium may not exceed the adjusted General Fund appropriation of the previous fiscal year, multiplied by one plus the long-term growth rate limitation as defined in section 1710-F, subsection 4. The limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates, losses in federal revenues or other revenue sources, citizen's initiatives or referenda that require increased state spending, court orders or decrees that | |

| PROPOSED | NOTES |
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| require additional state resources to comply with the orders or decrees and sudden or significant increases in demand for existing state services that are not the result of legislative changes that increased eligibility or increased benefits. The Legislature may designate exceptional circumstances that are not explicitly defined in this section but meet the intent of this section. For purposes of this section, "exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.<br><br>**§1535. General Fund transfers to stabilization fu nd**<br><br>Baseline General Fund revenues and other available resources, as recommended by the Revenue Forecasting Committee and authorized in accordance with chapter 151-B, that exceed the General Fund appropriation limitation established by section 1534 must be transferred to the stabilization fund. The State Controller, at the close of each fiscal year, shall transfer the available balance remaining in the General Fund to the stabilization fund after all required deductions of appropriations, budgeted financial commitments and other adjustments considered necessary by the State Controller. | |

| PROPOSED | NOTES |
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| **§1536. Excess General Fund revenues**<br><br>**1. First priority reserve.** The State Controller shall, as the first priority at the close of each fiscal year, reserve from the unappropriated surplus of the General Fund an amount equal to the excess of total baseline General Fund revenues received over accepted estimates in that fiscal year and transfer that amount at the beginning of the next fiscal year as follows:<br><br>A. Thirty-two percent to the stabilization fund;<br><br>B. Thirty-two percent to the Retirement Allowance Fund established in section 17251; and<br><br>C. Sixteen percent to the Reserve for General Fund Operating Capital.<br><br>**2. Transfer.** At the close of each fiscal year, the State Controller shall transfer from the unappropriated surplus of the General Fund to the stabilization fund:<br><br>A. An amount equal to the balance remaining of the excess of total General Fund revenues received over accepted estimates in that fiscal year that would have been transferred to the Reserve for General Fund Operating Capital had the Reserve for General Fund Operating Capital not been at its statutory limit of $50,000,000. | |

| PROPOSED | NOTES |
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| **Sec. A-5. 5 MRSA §1664, last ¶,** as enacted by PL 2003, c. 451, Pt. X, §8, is repealed. | |
| **Sec. A-6. 5 MRSA §1665, sub-§1,** as amended by PL 2003, c. 451, Pt. X, §9, is further amended to read:<br><br>**1. Expenditure and appropriation requirements.** On or before September 1st of the even-numbered years, all departments and other agencies of the State Government and corporations and associations receiving or desiring to receive state funds under the provisions of law shall prepare, in the manner prescribed by and on blanks furnished them by the State Budget Officer, and submit to the officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing biennium contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the current fiscal year. The total General Fund appropriation requests submitted by each department and agency for each fiscal year may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate. For purposes of this subsection, "average real personal income growth rate" means the average for the prior 10 calendar years, ending with the most recent calendar year for which data is available, of the percent change in personal income in this State for a calendar year, as estimated by the United States Department of Commerce, Bureau of Economic Analysis, less the | |

| PROPOSED | NOTES |
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| percent change in the Consumer Price Index for that calendar year. For purposes of this subsection, "Consumer Price Index" has the same meaning as in Title 36, section 5402, subsection 1. The expenditure estimates must be classified to set forth the data by funds, organization units, character and objects of expenditure. The organization units may be subclassified by functions and activities, or in any other manner, at the discretion of the State Budget Officer.<br><br>All departments and other agencies receiving or desiring to receive state funds from the Highway Fund hall submit to the officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing biennium that do not exceed the Highway Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate. The Highway Fund highway and bridge improvement accounts are exempt from this spending limitation. | |
| **Sec. A-7. 5 MRSA §1710-F, sub-§4** is enacted to read:<br><br>**4. Committee to calculate long-term growth rate limitation.**<br>The committee shall calculate a percentage rate to be known as the "long-term growth rate limitation" and shall include it in the report required by subsection 2. The long-term growth rate limitation is a percentage rate | |

| PROPOSED | NOTES |
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| equal to the measure of real economic growth plus the average forecasted inflation rate. For purposes of this subsection, "measure of real economic growth" means the average real personal income growth rate as defined in section 1665. For purposes of this subsection, "average forecasted inflation rate" means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the committee pursuant to subsection 1 for the 5 future calendar years in the economic forecast. "Consumer Price Index" has the same meaning as in Title 36, section 5402, subsection 1. | |
| **Sec. A-8. 5 MRSA §13063-C, sub-§4, ¶B,** as amended by PL 2003, c. 451, Pt. X, §10, is further amended to read:<br><br>B. Notwithstanding section 1585, any balance remaining in the program after July 31, 2007 must be transferred to the Maine Budget Stabilization Fund as established in section 1532. | |
| **Sec. A-9. 5 MRSA §17253, sub-§3,** as enacted by PL 1995, c. 464, §15, is amended to read:<br><br>**3. Components of unfunded liability contribution.** The annual valuation report prepared by the actuary in accordance with section 17107 must include identification of the impact on | |

| PROPOSED | NOTES |
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| the employer contribution rate of any excess General Fund revenues transferred to the Retirement Allowance Fund pursuant to section 1532. | |
| **Sec. A-10. 5 MRSA §22001, sub-§13,** as enacted by PL 2001, c. 439, Pt. T, §5, is amended to read:<br><br>**13. Trust fund.** "Trust fund" means the Baxter Compensation Authority Other Special Revenue Fund account authorized pursuant to former section 1513, subsection 1-T. | |
| **Sec. A-11. 25 MRSA §1612, sub-§7,** as amended by PL 2003, c. 451, Pt. X, §13, is further amended to read:<br><br>**7. Payment from the Maine Budget Stabilization Fund.** Benefits are payable from the Maine Budget Stabilization Fund as provided in Title 5, section 1532, subsection 6. | |
| **Sec. A-12. Transition; stabilization fund.** Any money in the Maine Budget Stabilization Fund on the effective date of this Act is deemed to be in the Maine Budget Stabilization Fund as reconstituted by this Act. | |
| **PART B** | Amends the duties of the Intergovernmental Advisory Group. Membership includes a Senate and House chair, others representing counties, municipalities, regional groups. |

| PROPOSED | NOTES |
|---|---|
| **Sec. B-1. 30-A MRSA §2181, sub-§4, ¶E,** as enacted by PL 2003, c. 696, §12, is amended to read:<br><br>E. Identify best management practices and make this information available to the public, including, but not limited to, best management practices that facilitate property tax rate reduction pursuant to the increasing state share of the total cost of essential programs and services under Title 20-A, chapter 606-B; | Primary duty to improve efficiency in government at all levels.<br><br>Amendment adds to Group's duties a focus on best practices related to bringing about the property tax relief made available by the state's increasing share of education funding. |
| **PART C**<br><br>**Sec. C-1. 30-A MRSA §5721-A** is enacted to read:<br><br>**§5721-A. Limitation on municipal appropriations**<br><br>**1. Appropriation limit established.** Notwithstanding any other provision of law, a municipality may not in any fiscal year make an appropriation, including amounts appropriated or allocated to reserves, except as otherwise provided in this section, where such appropriation utilizes revenues collected through property taxes levied by such municipality, and where such appropriation would cause the municipality to exceed its property tax levy limit for the fiscal year. A municipality's property tax levy limit for any fiscal year must be set at its property tax levy limit for the prior fiscal year, multiplied by the sum of the following: one; plus | |

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| the income growth factor set forth in subsection 4; plus the municipality's annual property growth factor. The annual property growth factor for a municipality is a fraction established by the municipality whose denominator is the total valuation of the municipality, and whose numerator is the amount of increase in the assessed valuation of any real or personal property in the municipality during the prior fiscal year that may become subject to taxation for the first time, or taxed as a separate parcel for the first time during such fiscal year, or that has had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or expansion of the property.<br><br>**2. Scope.** Appropriation and property tax levy limits established in subsection 1 apply to any general fund appropriation of a municipality, other than appropriations and revenues related to tax increment financing districts or other similar special tax districts pursuant to state law, but do not apply to expenditures related to assessments or tuition expenditures properly issued by a school administrative unit or county of which the municipality is a member.<br><br>**3. Transition.** The appropriation limit established in subsection 1 becomes effective for a municipality for its first full fiscal year following the effective date of this section.<br><br>A. For purposes of determining the property | |

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| tax levy limit for the first fiscal year for which this section is effective, the limit must be set at the property tax commitment of the municipality for the fiscal year during which this section becomes effective, multiplied by the sum of the following: one; plus the income growth factor set forth in subsection 4; plus the municipality's annual property growth factor set forth in subsection 1.<br><br>B. In the event the prior year's tax commitm ent reflects the effect of extraordinary, nonrecurring events, the municipality may submit a written notice to the State Tax Assessor requesting an adjustment in the levy calculation. The adjustment must be determined in a reasonable amount of time.<br><br>**4. Income growth factor.** The income growth fact or applicable to fiscal years following the effective date of this section is the base growth factor, defined as the average real personal income growth rate, defined in Title 5, section 1665, subsection 1, which rate may not exceed 2.75%. For fiscal years commencing after such time as the state tax burden ranks in the middle 1/3 of all states, as determined by the State Tax Assessor, the growth factor must become the personal income growth factor. The personal income growth factor is one plus the average percent change in personal income in this State for the prior 10 calendar years, ending with the | |

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| most recent calendar year for which data are available, as estimated by the United States Department of Commerce, Bureau of Economic Analysis. For purposes of this section, "state tax burden" means the total amount of state and local taxes paid by Maine residents, per $1,000 of income, as determined by the State Tax Assessor based on data from the United States Department of Commerce, Bureau of Census and Bureau of Economic Analysis. The State Tax Assessor shall undertake this calculation no less than once per year. For any fiscal year thereafter, if the State Tax Assessor has determined that the state tax burden has increased to the highest 1/3 of states, the growth factor for the following fiscal year must be the base growth factor. In all other fiscal years when the state tax burden ranks in the middle 1/3 of states, as determined by the State Tax Assessor, the growth factor must be the personal income growth factor.<br><br>**5. Adjustment for new state funding.** In the event the State provides net new funding to a municipality for existing services funded in whole or in part by property taxes, other than required state mandate funds pursuant to section 5685 that do not displace current property tax expenditures, the municipality shall lower its property tax levy limit in that year in an amount equal to the net new funds. For purposes of this subsection, "net new funds" means the amount of funds received by the municipality from the State in that fiscal year, with respect to services funded in whole or | |

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| in part by property taxes, less the following product: the amount of such funds received in the prior fiscal year multiplied by an adjustment factor. The adjustment factor equals: one; plus the income growth factor set forth in subsection 4; plus the municipality's annual property growth factor as defined in subsection 1. In the event a municipality receives net new funds in any fiscal year for which its levy limit has not been adjusted as provided in this subsection, the municipality shall adjust its levy limit in the following year in an amount equal to the net new funds.<br><br>**6. Mill rate.** Notwithstanding Title 36, chapter 103, a municipality may, without the need for voter approval, establish a property tax mill rate at any level it considers appropriate and may establish any method of computing property taxes, provided that, in establishing such mill rate or method of computation, the tax rate and computation method do not cause the total property tax levy of the municipality to exceed its property tax levy limit.<br><br>**7. Certain taxes.** Nothing in Title 36, chapter 103 may be interpreted to prohibit the imposition of special district taxes, user fees or county taxes on any real or personal property, provided such taxes or fees are otherwise permitted by law.<br><br>**8. Extraordinary events.** Upon the affirmative vote of a majority of its legislative body, a | |

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| municipality may exceed its property tax levy limit in such an amount as necessary to comply with a court order or decree or to respond to an extraordinary event. An "extraordinary event" includes any catastrophic event outside the control of the legislative body such as a natural disaster, severe weather event, act of God, act of terrorism, fire, war and riot, but in no event may "extraordinary event" include a change in economic conditions, revenue shortfall or increase in salaries or benefits. An appropriation made under this subsection may not cause the municipality's p roperty tax levy limit to be adjusted for any future fiscal years nor may such an appropriation continue for longer than required to comply with the court order or decree or to address the extraordinary event.<br><br>**9. Election.** A municipality may elect to raise its property tax levy limit upon the affirmative vote of the voters by municipal election held at any regular or special election. Notwithstanding any law to the contrary, such election may be called only upon the affirmative vote of a majority of the municipality's legislative body and must be governed according to state law and any applicable municipal charter. The warrant for the election must set forth the question to be determined, which must be in the following form: "Do you favor raising the levy limit of the [name of municipality] for the purpose of [insert purpose]?" | |

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| **10. Treatment of surplus; reserves.** Any property tax revenues collected by a municipality in any fiscal year in excess of its property tax levy limit, as determined by a final audited accounting, must be transferred to a property tax relief fund, which each municipality must establish, and used to reduce property tax levies in subsequent fiscal years. Nothing in this subsection is intended to limit the ability of a municipality to maintain adequate reserves pursuant to section 5801, provided that annual allocations or appropriations of funds to reserves are treated as appropriations subject to the appropriation limits set forth in subsection 1.<br><br>**11. Fractional divisions.** A municipality may, consistent with Title 36, section 710, exceed its property tax levy limit in such reasonable amount as necessary to avoid fractional divisions.<br><br>**12. Enforcement.** In the event a municipality makes appropriations in violation of this section, the State Tax Assessor may require the municipality to adjust its appropriation limit downward in an amount equal to the illegal appropriation and impose such other penalties as the Legislature may provide. | |
| **SUMMARY**<br><br>This bill increases the state share of education costs, provides property tax reduction for Maine | |

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| residents and reduces government spending at all levels. Specifically, the bill accomplishes the following.<br><br>Part A reconstitutes and changes the current State Budget Stabilization Fund to further control state spending and taxes.<br><br>Part B supports additional property tax reduction by promoting government efficiencies, including efficiencies that might assist implementing property tax reductions from additional state education funding, by the Intergovernmental Advisory Group.<br><br>Parts C and E establish caps on the growth of municipal and county spending, respectively. These caps may not be exceeded except in defined extraordinary circumstances or as overridden by a majority vote of the voters of the municipality or county. | |

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| **PART D** | |
| **Sec. D-1. 5 MRSA §17154, sub-§6, ¶E,** as amended by PL 2003, c. 504, Pt. B, §1, is further amended to read:<br><br>E. Notwithstanding this section, the employer retirement costs related to the retirement system applicable to those teachers whose funding is provided directly or through reimbursement from private or public grants must be paid by local school systems from those funds. "Public grants" does not include state or local funds provided to school administrative units under Title 20-A, chapters 315~~, 606~~ and 606-B. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |
| **Sec. D-2. 20-A MRSA §1, sub-§§17 and 18,** as amended by PL 1999, c. 75, §1, are further amended to read:<br><br>17. **Major capital costs.** "Major capital costs" is defined in section ~~15603, subsection 17~~ 15672, subsection 18-A.<br><br>18. **Minor capital costs.** "Minor capital costs" is defined in section ~~15603, subsection 18~~ 15672, subsection 20-A. | Section 15603, sub-section 17 will be repealed the definition of Major capital cost – this definition is now located in section 15672, sub-section 18-A.<br><br>Section 15603, sub-section 18 will be repealed the definition of Minor capital cost – this definition is now located in section 15672, sub-section 20-A. |
| **Sec. D-3. 20-A MRSA §1301, sub-§1, ¶A,** as amended by PL 1993, c. 410, Pt. F, §3, is further amended to read:<br>A. Under a property valuation method, municipalities in a district shall share costs in the same proportion as each municipality's fiscal capacity as defined in section ~~15603, subsection 11-A~~ 15672, | Section 15603, sub-section 11-A will be repealed the definition of Fiscal Capacity – this definition is now located in section 15672, sub-section 23 Property Fiscal Capacity. |

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| subsection 23 is to the district's fiscal capacity. | |
| **Sec. D-4. 20-A MRSA §1301, sub-§1, ¶B,** as amended by PL 2001, c. 375, §1, is further amended to read:<br><br>B. Under an alternate plan approved by the state board and by a vote of the legislative bodies of the school administrative units forming the district and based on:<br><br>(1) The number of resident pupils in each town;<br><br>(2) The fiscal capacity of each member municipality as defined in section ~~15603, subsection 11-A~~ 15672, subsection 23;<br><br>(3) Any combination of subparagraphs (1) and (2); or<br><br>(4) Any other factor or combination of factors that may, but need not, include subparagraphs (1) and (2). | Section 15603, sub-section 11-A will be repealed the definition of Fiscal Capacity – this definition is now located in section 15672, sub-section 23 Property Fiscal Capacity. |
| **Sec. D-5. 20-A MRSA §1307, sub-§3,** as amended by PL 1997, c. 68, §1, is further amended to read:<br><br>3. **Summary action.** To summarize the action taken on the school budget for the purposes of determining state and local cost sharing, the articles prescribed in chapter ~~606~~ 606-B must also be voted upon. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |

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| **Sec. D-6. 20-A MRSA §1307, sub-§4,** as enacted by PL 1997, c. 68, §2, is amended to read:<br><br>**4. Budget explanation.** The warrant may include an explanation of the relationship between warrant articles authorizing specific line item expenditures as provided in subsection 1 and the articles prescribed in chapter ~~606~~ 606-B summarizing the budget proposal. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |
| **Sec. D-7. 20-A MRSA §1308,** as amended by PL 1999, c. 710, §6, is further amended to read:<br><br>§1308. **Failure to pass budget**<br><br>If a budget for the operating of the district is not approved prior to July 1st, the latest budget as submitted by the board of directors is automatically considered the budget for operational expenses for the ensuing year until a final budget is approved, except that, when the school board delays the school budget meeting in accordance with section ~~15617~~ 15693, subsection 2, paragraph C, the operating budget must be approved within 30 days of the date the commissioner notifies the school board of the amount allocated to the school unit under section ~~15613~~ 15689-B or the latest budget submitted by the directors becomes the operating budget for the next school year. | Section 15617 will be repealed the "School budget; budget formats" section is now located in section 15693.<br><br>Section 15613 will be repealed the "Authorization and schedules of payment of state subsidy; appeals" section is now located in section 15689-B. |

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| **Sec. D-8. 20-A MRSA §1311, sub-§1, ¶C,** as amended by PL 1993, c. 372, §4, is further amended to read:<br><br>C. Minor capital costs as defined in section ~~15603, subsection 18~~ 15672, subsection 20-A. | Section 15603, sub-section 18 will be repealed the definition of Minor capital cost definition is now located in section 15672, sub-section 20-A. |
| **Sec. D-9. 20-A MRSA §1351, sub-§1, ¶K,** as amended by PL 1999, c. 75, §2, is further amended to read:<br><br>K. To borrow funds for minor capital costs as defined in section ~~15603, subsection 18~~ 15672, subsection 20-A. | Section 15603, sub-section 18 will be repealed the definition of Minor capital cost – this definition is now located in section 15672, sub-section 20-A. |
| **Sec. D-10. 20-A MRSA §1407, sub-§2,** as amended by PL 1999, c. 75, §3, is further amended to read:<br><br>2. **Expense of keeping the school open.** If the voters vote to keep the school open, the member municipality is liable for some additional expense for actual local operating costs and transportation operating costs as defined in section ~~15603~~ 15672. The determination of costs is subject to the approval of the commissioner. The cost to be borne by the town voting to keep an elementary school open is the amount that would be saved if the school were closed. Any additional costs that must be borne by the member municipality must be part of the article presented to the voters at the meeting to determine whether the school should remain open. | Section 15603 will be repealed the definition of Transportation operating cost definition is now located in section 15672, sub-section 32-B. However, we may need to add a definition of local operating costs to section 15672 or use sub-section 31-B(A). |
| **Sec. D-11. 20-A MRSA §1701, sub-§3,** as amended by PL 1991, c. 429, §4, is further amended to read: | Section 15617 will be repealed the "School budget; budget formats" section is now located in section 15693. |

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| 3. **Time and place.** The district school committee shall call an annual budget meeting on or before June 30th at an hour and in a location within the community school district it designates, except that the school committee may delay the annual budget meeting to a date after July 1st in accordance with section ~~15617~~ 15693, subsection 2, paragraph C. | |
| Sec. D-12. **20-A MRSA §1701, sub-§9, ¶A,** as amended by PL 1999, c. 710, §8, is further amended to read:<br><br>A. The budget format may be determined by the voters of a community school district by adoption of an appropriate warrant article at a properly called election held in accordance with the procedure set forth in section ~~15617~~ 15693, subsection 6. | Section 15617 will be repealed the "School budget; budget formats" section is now located in section 15693. |
| Sec. D-13. **20-A MRSA §1701, sub-§12,** as amended by PL 1999, c. 710, §10, is further amended to read:<br><br>12. **State-local allocations.** To summarize the action taken on the budget for the purposes of determining the community school district's state-local allocations, the articles prescribed in chapter ~~606~~ 606-B must also be voted on. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |
| Sec. D-14. **20-A MRSA §1701-B, sub-§5,** as enacted by PL 1999, c. 710, §11, is amended to read:<br><br>5. **Failure to approve budget.** If the voters do not validate the budget approved in the district budget meeting at the budget validation referendum | Section 15617 will be repealed the "School budget; budget formats" section is now located in section 15693.<br><br>Section 15613 will be repealed the "Authorization and schedules of payment of state subsidy; appeals" section is now located in section 15689-B. |

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| vote, the district school committee shall hold another district budget meeting in accordance with section 1701, subsection 8 at least 10 days after the referendum to vote on a budget approved by the committee. The budget approved at the district budget meeting must be submitted to the voters for validation at referendum in accordance with this section. The process must be repeated until a budget is approved at a district budget meeting and validated at referendum. If a budget is not approved and validated before July 1st of each year, the latest budget submitted by the committee is automatically considered the budget for operational expenses for the ensuing year until a final budget is approved, except that when the school committee delays the district budget meeting in accordance with section ~~15617~~ 15693, subsection 2, paragraph C the operating budget must be approved within 30 days of the date the commissioner notifies the school committee of the amount allocated to the school unit under section ~~15613~~ 15689-B or the latest budget submitted by the committee becomes the operating budget for the next school year. | |
| **Sec. D-15. 20-A MRSA §1704, sub-§1, ¶B,** as amended by PL 1993, c. 410, Pt. F, §4, is further amended to read:<br><br>B. The fiscal capacity of each member municipality as defined in section ~~15603, subsection 11-A~~ 15672, subsection 23; | Section 15603, sub-section 11-A will be repealed the definition of Fiscal Capacity – this definition is now located in section 15672, sub-section 23 Property Fiscal Capacity. |

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| **Sec. D-16. 20-A MRSA §4003-A** is enacted to read:<br><br>§4003-A. **Hazardous chemicals**<br><br>The commissioner shall establish rules governing the purchase and storage of hazardous chemicals in schools. | This currently is in Section 15613, sub-section 14 which will be repealed as part of the repeal Chapter 606 "School Finance Act of 1985" – this new section 4003-A will move this language to a more appropriate section. |
| **Sec. D-17. 20-A MRSA §4254, sub-§1,** as amended by PL 1997, c. 534, §3, is further amended to read:<br><br>1. **Allowable costs.** Allowable costs are the cost of implementing approved plans; these costs may be added to the school unit's subsidizable costs under chapter ~~606~~ 606-B. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |
| **Sec. D-18. 20-A MRSA §5401, sub-§15, ¶C,** as amended by PL 2001, c. 667, Pt. C, §11, is further amended to read:<br><br>C. A school board may obtain a short-term loan or enter into a lease-purchase agreement to acquire school buses if the loan is approved by the unit's legislative body or if funds that can be used for the initial lease-purchase payment have been appropriated by the unit's legislative body. The term of a loan or a lease-purchase agreement may not exceed 5 years. The commissioner shall establish a maximum amount for annual-term purchases in excess of the amount established in paragraph A. Beginning in fiscal year ~~2003-04~~ 2005-06, these expenditures must be subsidized in accordance with ~~section 15603, subsection 26-A~~ chapter 606-B. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |

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| **Sec. D-19. 20-A MRSA §6303,** as enacted by PL 1995, c. 427, §1, is amended to read:<br><br>**§6303. Medicaid for health and human services**<br><br>A school administrative unit may receive funds from the Medicaid program pursuant to the United States Social Security Act, 42 United States Code, for the provision of preventive health, health, habilitation, rehabilitation and social services to eligible students ~~in accordance with section 15613, subsection 16~~. | Section 15613, sub-section 16 will be repealed as part of the repeal Chapter 606 "School Finance Act of 1985". A new non-expenditure driven Essential Programs and Services model for Special Education will make this language unnecessary. |
| **Sec. D-20. 20-A MRSA §6651, sub-§3,** as amended by PL 1989, c. 414, §16, is repealed. | Section 6651, sub-3 will no longer be necessary because a new non-expenditure driven Essential Programs and Services model for Special Education will be implemented. |
| **Sec. D-21. 20-A MRSA §6654,** as amended by PL 1991, c. 550 and PL 2003, c. 689, Pt. B, §6, is further amended to read:<br><br>**§6654. School-based child care grants**<br><br>The department and the Department of Health and Human Services are authorized to provide assistance to school administrative units to assist the units in establishing school-based child care services. ~~Any assistance provided must provide funds for 2 years and expenditure of those funds is considered expenditure of local funds in computing the unit's educational program costs in chapter 606. The department has full authority to administer any grant program that it operates under this section.~~ | Section 6651, sub-3 will no longer is necessary because a new non-expenditure driven Essential Programs and Services model for Special Education will be implemented. |

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| **Sec. D-22. 20-A MRSA §7734-A, first ¶,** as repealed and replaced by PL 1999, c. 296, §10, is amended to read:<br><br>In addition to the programs authorized in this chapter, school administrative units may provide services for children who are disabled in a manner consistent with sections 4251 to 4254, and the cost of such services is subsidizable as special education costs under chapter ~~606~~ 606-B. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |
| **Sec. D-23. 20-A MRSA §8301-A, sub-§§4 and 9,** as enacted by PL 1991, c. 518, §2, are amended to read:<br><br>**4. Municipality.** "Municipality" has the same meaning as in section ~~15603, subsection 19~~ 15672, subsection 21.<br><br>**9. State subsidy.** "State subsidy" has the same meaning as in section ~~15603, subsection 26~~ 15672, subsection 31-A. | Section 15603, sub-section 19 will be repealed the definition of Municipality – this definition is now located in section 15672, sub-section 21.<br><br>Section 15603, sub-section 26 will be repealed the definition of State Subsidy – this definition is now located in section 15672, sub-section 31-A. |
| **Sec. D-24. 20-A MRSA §8351,** as amended by PL 1991, c. 518, §9 and c. 716, §6 and PL 2003, c. 545, §5, is further amended to read:<br><br>**§8351. State aid for career and technical education centers and career and technical education regions**<br><br>State aid for centers and regions must be administered in accordance with chapters ~~606~~ 606-B and 609 and Title 20, section 3457. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |

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| **Sec. D-25. 20-A MRSA §8402,** as corrected by RR 2003, c. 2, §55, is amended to read:<br><br>§8402. Programs<br><br>A center shall provide programs of career and technical education. Programs of career and technical education are eligible to receive state subsidy pursuant to chapters ~~606~~ 606-B and 609. All programs of career and technical education offered by a center must be approved by the commissioner pursuant to section 8306-A. The programs must offer a sequence of courses that are directly related to the preparation of individuals for employment in current or emerging occupations and may include training and education in academic and business skills preparing students to further their education at the community college or other college level or allowing students to use trade and occupational skills on other than an employee basis. Programs of career and technical education may also include alternative educational programs and training and education in music, athletics, art and other activities approved by the commissioner pursuant to section 8306-A. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |
| **Sec. D-26. 20-A MRSA §8404, sub-§3, ¶C,** as corrected by RR 2003, c. 2, §59, is amended to read:<br><br>C. Shall, in the event that the school boards of School Administrative District No. 27, School Administrative District No. 33 and Madawaska School Department enter into a cooperative agreement pursuant to section | Section 15603 will be repealed as part of the repeal of Chapter 606 "School Finance Act of 1985"—vocational programs / career and technical education is now defined in section 15681-A, sub-section 4. Sub-section needs to be corrected as follows:<br>C. Shall, in the event that the school boards of School Administrative District No. 27, School Administrative District No. 33 and Madawaska School Department enter |

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| 8401 and a new career and technical education center in Maine School Administrative District No. 33 becomes operational, devise a cost sharing formula for the center established thereby pertaining to the cost of career and technical education programs that exceed expenditures made for those programs in the base year as adjusted pursuant to section ~~15603~~ 15681-A, subsection 5 and to the local share of debt service costs attributable to construction of the center in School Administrative District No. 33; | into a cooperative agreement pursuant to section 8401 and a new career and technical education center in Maine School Administrative District No. 33 becomes operational, devise a cost sharing formula for the center established thereby pertaining to the cost of career and technical education programs that exceed expenditures made for those programs in the base year as adjusted pursuant to section ~~15603~~ 15681-A, subsection ~~5~~ 4 and to the local share of debt service costs attributable to construction of the center in School Administrative District No. 33; |
| **Sec. D-27. 20-A MRSA §8451-A,** as corrected by RR 2003, c. 2, §61, is amended to read:<br><br>**§8451-A. Programs**<br><br>A region shall provide programs of career and technical education. Programs of career and technical education are eligible to receive state subsidy pursuant to chapters ~~606~~ 606-B and 609. All programs of career and technical education offered by a region must be approved by the commissioner pursuant to section 8306-A. The programs must offer a sequence of courses that are directly related to the preparation of individuals for employment in current or emerging occupations and may include training and education in academic and business skills preparing students to further their education at the community college or college level or allowing students to use trade and occupational skills on other than an employee basis. Programs of career and technical education | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |

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| may also include alternative educational programs and training and education in music, athletics, art and other activities approved by the commissioner pursuant to section 8306-A. | |
| **Sec. D-28. 20-A MRSA §8601-A, sub-§6,** as enacted by PL 1991, c. 518, §33, is amended to read:<br><br>**6. Municipality.** "Municipality" has the same meaning as in section ~~15603, subsection 19~~ 15672, subsection 21. | Section 15603, sub-section 19 will be repealed the definition of Municipality – this definition is now located in section 15672, sub-section 21. |
| **Sec. D-29. 20-A MRSA §8605, sub-§2, ¶B,** as amended by PL 1995, c. 665, Pt. J, §1, is further amended to read:<br><br>B. The unit in which such a person resides must be reimbursed in accordance with ~~chapters 606 and 606-A~~ chapter 606-B. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" |
| **Sec. D-30. 20-A MRSA §8606-A, sub-§2, ¶C,** as amended by PL 1991, c. 518, §38, is further amended to read:<br><br>C. The recommendation in the commissioner's funding level certification must include local program cost adjustment to the equivalent of the year prior to the year of allocation. This adjustment is calculated according to the same guidelines established, for purposes of chapter ~~606~~ 606-B, by section ~~15605~~ 15689-C, subsection 3. | Changes the citation from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985"<br><br>Section 15605, sub-section 3 "Guidelines for updating other subsidizable costs" will be repealed – this section is now located in section 15689, sub-section 3. |

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| **Sec. D-31. 20-A MRSA §15622** is enacted to read:<br><br>§15622. **Repeal**<br><br>This chapter is repealed July 1, 2005. | Repeals Chapter 606 "School Finance Act of 1985" effective July 1, 2005. |
| **Sec. D-32. 20-A MRSA §15658,** as enacted by PL 1995, c. 368, Pt. Z, §1 and affected by §2, is amended to read:<br><br>§15658. **Relationship to the School Finance Act of 1985**<br><br>The provisions of chapter ~~606~~ 606-B apply except as described in this section.<br><br>1. **Operating costs mill rate.** The operating costs mill rate, as described in chapter ~~606~~ 606-B, is in effect for the limited purposes of determining the state and local shares of each school administrative unit's program costs allocation and its debt service allocation, and for determining the amount required to provide the statewide state share of the allocation for the per pupil guarantee. For each individual school administrative unit, the amounts described in section 15655, subsection 1 are used rather than the amounts in section 15608, subsection 1; section 15609, subsection 1, paragraph A; and section 15610, subsection 1, paragraph A. | This section will repealed with the School Finance Act of 1995 – Chapter 606-A as of 7/1/04. |
| **Sec. D-33. 20-A MRSA §15659, sub-§1, ¶A,** as enacted by PL 1995, c. 368, Pt. Z, §1 and affected by §2, is amended to read: | This section is no longer necessary as of 7/1/2005 – this section should be repealed. |

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| A. The State's share for fiscal year 1996-97 for the allocation of the per pupil guarantee as determined in this chapter, plus the State's share for program costs and the minimum subsidy allocation as determined in chapter ~~606~~ 606-B, less subsidies provided for bus purchases, divided by the subsidizable pupils, as defined in this chapter; and | |
| Sec. **D-34. 20-A MRSA §15671, sub-§1,** as amended by PL 2003, c. 712, §9, is amended to read:<br><br>**1. State and local partnership.** The State and each local school administrative unit are jointly responsible for contributing to the cost of the components of essential programs and services described in this chapter. Except as otherwise provided in this subsection, for each fiscal year, the total cost of the components of essential programs and services may not exceed the prior fiscal year's costs multiplied by one plus the average real personal income growth rate as defined in Title 5, section 1665, subsection 1, except that in no case may that rate exceed 2.75%. For fiscal years commencing after the state tax burden ranks in the middle 1/3 of all states, as calculated and certified by the State Tax Assessor, the total cost of the components of essential programs and services may not exceed the prior fiscal year's costs multiplied by one plus the average real personal income growth rate as defined in Title 5, section 1665, subsection 1. | Establishes a limit on the growth of the total cost of the components of essential programs and services. The total costs may not exceed:<br>• One plus the average real personal income growth rate.<br>• Except that in no case the average real personal income growth rate may exceed 2.75%<br><br>Once Maine's state tax burden ranks in the middle 1/3 of all states, the limit on the growth of the total cost of the components of essential programs and services may not exceed:<br>• One plus the average real personal income growth rate.<br><br>The Legislature may exceed the limitations on increases in the growth of the total cost of the components of essential programs and services:<br>• By an affirmative vote of each House<br>• That vote is taken upon legislation stating that it is the Legislature's intent to override the limitation for that fiscal year. |

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| The Legislature, by an affirmative vote of each House, may exceed the limitations on increases in the total cost of the components of essential programs and services provided in this subsection, as long as that vote is taken upon legislation stating that it is the Legislature's intent to override the limitation for that fiscal year. The state contribution to the cost of the components of essential programs and services, exclusive of federal funds that are provided and accounted for in the cost of the components of essential programs and services, must be made in accordance with this subsection: | |
| A. The level of the state share of funding attributable to the cost of the components of essential programs and services must be at least 50% of eligible state and local General Fund education costs statewide, no later than fiscal year ~~2007-08~~ 2006-07; and | Establishes a 50% state share by 2006-07. |
| B. By fiscal year ~~2009-10~~ 2008-09 the state share of the total cost of funding public education from kindergarten to grade 12, as described by essential programs and services, must be 55%. Beginning in fiscal year 2005-06 and in each fiscal year until fiscal year ~~2009-10~~ 2008-09, the state share of essential programs and services described costs must increase toward the 55% level required in fiscal year ~~2009-10~~ 2008-09. | Establishes a 55% state share by 2008-09. |
| Beginning in fiscal year 2005-06 and in each fiscal year thereafter, the commissioner shall use | |

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| 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. D-35. 20-A MRSA §15671, sub-§7,** as amended by PL 2003, c. 712, §10, is further amended to read:<br><br>7. **Transition; annual targets.** To achieve the system of school funding based on essential programs and services required by this section, the following annual targets are established.<br><br>A. The annual targets for the essential programs and services transition percentage, excluding program cost allocation, debt service allocation and adjustments, are as follows.<br><br>(1) For fiscal year 2005-06, the target is 84%.<br><br>(2) For fiscal year 2006-07, the target is ~~92%~~ 90%.<br><br>(3) For fiscal year 2007-08, the target is ~~92%~~ 95%.<br><br>(4) For fiscal year 2008-09 and succeeding years, the target is ~~96%~~ 100%. | Changes the annual targets – accelerating from a 5 year plan to a 4 year plan – reaching 100% EPS and 55% State share by 2008-09.<br>This needs to be revised as follows:<br>A. The annual targets for the essential programs and services transition percentage, excluding ~~program cost allocation~~other subsidizable costs, debt service allocation and adjustments, are as follows. |

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| ~~(5) For fiscal year 2009-10 and succeeding years, the target is 100%.~~<br><br>B. The annual targets for the state share percentage are as follows.<br><br>(1) For fiscal year 2005-06, the target is 52.6%.<br><br>(2) For fiscal year 2006-07, the target is ~~52.6%~~ 53.86%.<br><br>(3) For fiscal year 2007-08, the target is ~~53%~~ 54.44%.<br><br>(4) For fiscal year 2008-09 and succeeding years, the target is ~~54%~~ 55%.<br><br>~~(5) For fiscal year 2009-10 and succeeding years, the target is 55%.~~ | |
| **Sec. D-36. 20-A MRSA §15671-A,** as enacted by PL 2003, c. 712, §11, is amended to read:<br><br>**§15671-A. Property tax contribution to public education**<br><br>**1. Definitions.** As used in this section, unless the context otherwise indicates, the following terms have the following meanings.<br><br>A. "Funding public education from kindergarten to grade 12" means providing the | Changes the annual targets from a 5 year plan to a 4 year plan – reaching 100% EPS and 55% State share by 2008-09.<br><br>This needs to be revised as follows:<br>**1. Definitions.** As used in this section, unless the context otherwise indicates, the following terms have the following meanings.<br><br>A. "Funding public education from kindergarten |

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| cost of funding the essential programs and services described in this chapter plus the total allocations for program cost, debt service costs and adjustments. | to grade 12" means providing the cost of funding the essential programs and services described in this chapter plus the total allocations for ~~program~~ other subsidizable costs, 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 | |

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| 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~~ 2008-09 and may not exceed 9.0 mills in fiscal year 2005-06 and may not exceed 8.0 mills in fiscal year ~~2009-10~~ 2008-09. 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.<br><br>(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.<br><br>(2) For the 2006 property tax year, the full-value education mill rate is the amount necessary to result in a ~~47.4%~~ 46.14% local share in fiscal year 2006-07. | |

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| (3) For the 2007 property tax year, the full-value education mill rate is the amount necessary to result in a ~~47.0%~~ 45.56% 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%~~ 45.0% local share in fiscal year 2008-09. | |
| ~~(5) For the 2009 property tax year, the full-value education mill rate is the amount necessary to result in a 45.0% local share in fiscal year 2009-10.~~ | |
| **3. Exceeding maximum local cost share expectations; separate article.** Beginning with the 2005-2006 school budget, the legislative body of a school administrative unit may adopt ~~property tax rates~~ an additional local appropriation that ~~exceed~~ exceeds 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. If that additional appropriation causes the school administrative unit to exceed the maximum state and local spending target described in subsection 4, the voting requirements of subsection 4 apply. | |

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| **4. Exceeding the maximum state and local spending target.** The sum of a school administrative unit's local contribution to the total cost of funding public education determined pursuant to section 15688, subsection 3, paragraph A plus the state contribution as calculated in section 15688, subsection 3, paragraph B plus the additional local contribution raised pursuant to section 15690, subsection 3 may not exceed the targeted state and local spending for fiscal year 2005-06 and succeeding fiscal years. The targeted state and local spending for fiscal years 2005-06, 2006-07, 2007-08 and 2008-09 is as follows: | Establishes additional voting requirements when an additional local appropriation exceeds the "maximum state and local spending target". |
| A. The targeted state and local spending for fiscal year 2005-06 is equal to the state and local spending, excluding local only debt, from fiscal year 2004-05 increased by the 3-year average percent of increase in the Consumer Price Index plus 25% of the difference between that result and 100% of the essential programs and services costs for fiscal year 2005-06 or 100% of the essential programs and services costs, whichever is less; | |
| B. The targeted state and local spending for fiscal year 2006-07 is equal to the state and local spending, excluding local only debt, from fiscal year 2005-06 increased by the 3-year average percent of increase in the Consumer Price Index | 2005-06 State and Local spending target equals:<br>• 2004-05 state and local spending (excluding local only debt) increased by the 3 year average percent of |

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| plus 25% of the difference between that result and 100% of the essential programs and services costs for fiscal year 2006-07 or 100% of the essential programs and services costs, whichever is less; | increase in Consumer Price Index plus<br>• 25% of the difference that result from above and 100% of essential programs and services<br>• Or 100% essential programs and services which ever is less. |
| C. The targeted state and local spending for fiscal year 2007-08 is equal to the state and local spending, excluding local only debt, from fiscal year 2006-07 increased by the 3-year average percent of increase in the Consumer Price Index plus 25% of the difference between that result and 100% of the essential programs and services costs for fiscal year 2007-08 or 100% of the essential programs and services costs, whichever is less; and | 2006-07 State and Local spending target equals:<br>• 2005-06 state and local spending (excluding local only debt) increased by the 3 year average percent of increase in Consumer Price Index plus<br>• 25% of the difference that result from above and 100% of essential programs and services<br>• Or 100% essential programs and services which ever is less. |
| D. The targeted state and local spending for fiscal year 2008-09 and succeeding years is equal to 100% of the essential programs and services costs. | 2007-08 State and Local spending target equals:<br>• 2006-07 state and local spending (excluding local only debt) increased by the 3 year average percent of increase in Consumer Price Index plus<br>• 25% of the difference that result from above and 100% of essential programs and services<br>• Or 100% essential programs and services which ever is less. |
| If a school administrative unit elects to exceed the limit established in paragraph A, B, C or D, the legislative body of that school administrative unit must approve or otherwise ratify that action, which may be done only by referendum in a separate article. The referendum procedures governing the school budget adoption or ratification voting must be accomplished in accordance with sections 1305, subsection 1, 1305-B and 1701-B or, for municipal school systems opting to use a secret ballot, Title 30-A, section 2528, and the article must | 2008-09 State and Local spending target equals 100% essential programs and services. |

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| conform to section 15690, subsection 3, paragraph B. | |
| **Sec. D-37. 20-A MRSA §15672,** as amended by PL 2003, c. 712, §12, is further amended to read:<br><br>§15672. **Definitions**<br><br>As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.<br><br>1. **Allocation year.** "Allocation year" means the year that subsidy is distributed to school administrative units.<br><br>1-A. **Base year.** "Base year" means the 2nd year prior to the allocation year.<br><br>1-B. **Bus purchase costs.** "Bus purchase costs" includes expenditures for bus purchases approved by the commissioner and made during the year prior to the allocation year.<br><br>2. **Clerical staff.** "Clerical staff" means full-time equivalent public school secretaries, as documented in the department's database. | Moves definition of "base year" from Chapter 606 to Chapter 606-B – Formerly 15603 sub-section 6.<br><br>Moves definition of "bus purchase" from Chapter 606 to Chapter 606-B – Formerly 15603 sub-section 7<br><br>Revises full-time to full-time equivalent |
| 2-A. **Debt service costs.** "Debt service costs," for subsidy purposes, includes:<br><br>A. Principal and interest costs for approved major capital projects in the allocation | Moves definition of "Debt service costs" from Chapter 606 to Chapter 606-B. Section 15672, sub-section 2-A, paragraph E is no longer applicable in the new school funding law – paragraph E should be repealed. |

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| year, including the initial local share of school construction projects that received vo ter approval for all or part of their funding in referendum in fiscal year 1984-85;<br><br>B. Lease costs for school buildings when the leases, including leases under which the school administrative unit may apply the lease payments to the purchase of portable, temporary classroom space beginning January 1, 1988, have been approved by the commissioner for the year prior to the allocation year. Beginning July 1, 1998 lease costs include costs for leasing:<br><br>(1) Administrative space. A school administrative unit may lease administrative space with state support until July 1, 2003. A school administrative unit engaged in a lease-purchase agreement for administrative space is eligible for state support until July 1, 2008;<br><br>(2) Temporary interim nonadministrative space.<br><br>(a) A school administrative unit with state-approved need for nonadministrative space may lease temporary interim space, with state support, for a maximum of 5 years. A school administrative unit may appeal to the state board if this | ~~E. Beginning in school year 2002-2003, 1/5 of the aggregate amount of the approved leases defined in paragraph B and an additional 1/5 for each year thereafter may not be used to determine the debt service millage limit calculated under section 15611, subsection 1, paragraph A. The local share for the 1/5 of the aggregate amount of the approved leases defined in paragraph B and an additional 1/5 for each year thereafter must be calculated as the same percentage determined under section 15609, subsection 1, paragraph A. The department shall adopt rules necessary to implement this paragraph. Rules adopted by the department to implement this paragraph are major substantive rules pursuant to Title 5, chapter 375, subchapter 2-A.~~ |

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| limitation presents an undue burden. When making a determination on a school administrative unit's request for relief based on undue burden, the state board may consider, but are not limited to considering, the following:<br><br>(i) Fiscal capacity;<br><br>(ii) Enrollment demographics; and<br><br>(iii) Unforeseen circumstances not within the control of the appealing school administrative unit.<br><br>The state board's decision is final.<br><br>(b) A school administrative unit engaged in a lease-purchase agreement for temporary interim nonadministrative space is eligible for state support for a maximum of 10 years; and<br><br>(3) Permanent small nonadministrative space that replaces or is converted from existing approved leased portable space. The existing approved leased portable space will be eligible for | |

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| state support until July 1, 2003. Once an existing leased portable space has been converted into a permanent nonadministrative space through an approved lease-purchase agreement, that space is eligible for state support for a maximum of 10 years.<br><br>The department shall adopt rules necessary to implement this paragraph. Rules adopted by the department to implement this paragraph are major substantive rules pursuant to Title 5, chapter 375, subchapter 2-A;<br><br>C. The portion of the tuition costs applicable to the insured value factor for the base year computed under section 5806;<br><br>D. The cost of construction or purchase of portable, temporary classroom space as approved by the commissioner beginning January 1, 1988. For the purposes of this section, "portable, temporary classroom space " means a project consisting of one or more mobile or modular buildings that are at least partially constructed off site and are designed to be moved to other sites with a minimum of disassembly and reassembly. "Portable, temporary classroom space" includes, but is not limited to, space for regular classrooms, small group instruction, libraries, clinics and guidance and administrative office space, including principal and superintendent offices. The | |

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| department shall adopt rules for approving the purchase, construction or lease-purchase of portable, temporary classroom space and for determining the amount includable for sub sidy purposes. Lease-purchase agreements may not exceed a term of 10 years.<br>Approved costs are those for the year prior to the allocation year. The department shall adopt rules necessary to implement this paragraph. Rules adopted by the department to implement this paragraph are major substantive rules pursuant to Title 5, chapter 375, subchapter 2-A; and<br><br>E. Beginning in school year 2002-2003, 1/5 of the aggregate amount of the approved leases defined in paragraph B and an additional 1/5 for each year thereafter may not be used to determine the debt service millage limit calculated under section 15611, subsection 1, paragraph A. The local share for the 1/5 of the aggregate amount of the approved leases defined in paragraph B and an additional 1/5 for each year thereafter must be calculated as the same percentage determined under section 15609, subsection 1, paragraph A. The department shall adopt rules necessary to implement this paragraph. Rules adopted by the department to implement this paragraph are major substantive rules pursuant to Title 5, chapter 375, subchapter 2-A. | |
| **3. Economically disadvantaged students.** "Economically disadvantaged students" means students who are included in the department's count of students who are eligible for free or | No change to this definition |

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| reduced-price meals or free milk or both. | |
| **4. Education technician.** "Education technician" means a full-time equivalent public teacher aide or education technician I, associate teacher or education technician II or assistant teacher or education technician III but not a special education technician I, II or III, as documented in the department's database. | Revises full-time to full-time equivalent. |
| **5. Elementary free or reduced-price meals percentage.** "Elementary free or reduced-price meals percentage" means the percentage, as determined by the commissioner, that reflects either:<br><br>A. The actual percentage of elementary students in a school administrative unit who are eligible to receive free or reduced-price meals or free milk or both; or<br><br>B. The commissioner's estimated percentage of elementary students in a school administrative unit who are eligible to receive free or reduced-price meals or free milk or both. | No change to this definition |
| **6. Elementary grades.** "Elementary grades" means kindergarten to grade 8 and includes children enrolled in early kindergarten programs and 4-year-old children enrolled in a 2-year childhood education program prior to grade one. | No change to this definition |
| **7. Elementary school level.** "Elementary school level" means the grades | No change to this definition |

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| from kindergarten to grade 5 and includes early kindergarten programs and 2-year childhood education programs enrolling 4-year-old children prior to grade one. | |
| 7-A. **EPS per-pupil rate.** "EPS per-pupil rate" means the total amount of funds that is made available for each subsidizable pupil representing the following cost components:<br><br>A. Salary and benefit costs for school level teaching staff;<br><br>B. Salary and benefit costs for other identified school level staff;<br><br>C. Designated costs for substitute teachers; and<br><br>D. Identified nonstaffing costs. | Establishes a definition for "EPS per-pupil rate" formerly defined as "Per Pupil Guarantee".<br><br>This definition changes the name of the per pupil rate from "Per pupil guarantee" to "EPS per-pupil rate". |
| **8. Essential programs and services.** "Essential programs and services" means those educational resources that are identified in this chapter that enable all students to meet the standards in the 8 content standard subject areas of the system of learning results established in chapter 222. | No change to this definition |
| **9. Essential programs and services transition percentage.** "Essential programs and services transition percentage" means the full estimated cost for all essential programs and services for that fiscal year that will be funded by a state contribution or by a required local contribution. | No change to this definition |

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| **9-A. Gifted and talented costs.** "Gifted and talented costs" means the cost of programs for gifted and talented students that have been approved by the commissioner. | Moves the definition from Chapter 606 as part of the Special Education definition to Chapter 606-B as a separate definition. Formerly 15603 sub-section 22 paragraph C. |
| **10. Grade 9 to 12 portion.** "Grade 9 to 12 portion" means those pupils in the secondary grades or high school level. | No change to this definition |
| **11. Guidance staff.** "Guidance staff" means full-time equivalent public guidance counselors, directors of guidance or school social workers, as documented in the department's database. | Revises full-time to full-time equivalent. |
| **12. Health staff.** "Health staff" means full-time equivalent public school nurses, as documented in the department's database. | Revises full-time to full-time equivalent. |
| **13. High school level.** "High school level" means grade 9 to grade 12. | No change to this definition |
| **13-A. Institutional resident.** "Institutional resident" means a person between 5 years of age and 20 years of age who is attending a public school of the school administrative unit and who is committed or otherwise legally admitted to and residing at a state-operated institution. "Institutional resident" does not include students attending private facilities, regardless of the means of placement. | Moves definition of "institutional resident" from Chapter 606 to Chapter 606-B – Formerly 15603 sub-section 14. |
| ~~**14. Income weight.** "Income weight" means a value between zero and one that is used to adjust a municipality's ratio of local median household~~ | Repeals a definition for Income weight which is no longer necessary with the new school funding formula beginning |

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| ~~income to the statewide median household income. The income weight plus the property weight, as defined in subsection 24, must total one.~~ | 2005-06. |
| **15. Kindergarten to grade 8 portion.** "Kindergarten to grade 8 portion" means those pupils in the elementary grades or a combination of the elementary school level and middle school level. | No change to this definition |
| **16. Kindergarten to grade 2 student.** "Kindergarten to grade 2 student" means a student in any grade from prekindergarten to grade 2 who is at least ~~5~~ 4 years old on October 15th of the school year. | Changes the definition for "Kindergarten to grade 2 student" to include 4-year-olds. |
| **17. Librarian.** "Librarian" means a full-time equivalent public librarian or media specialist, as documented in the department's database. | Revises full-time to full-time equivalent. |
| **18. Limited English proficiency student.** "Limited English proficiency student" means a student who was not born in the United States or whose native language is a language other than English and who satisfies the definition of a limited English proficient student under the federal No Child Left Behind Act of 2001, 20 United States Code, Chapter 70. | No change to this definition |
| **18-A. Major capital costs.** "Major capital costs" means costs relating to school construction projects, as defined in section 15901. | Moves definition of "major capital costs" from Chapter 606 to Chapter 606-B – Formerly 15603 sub-section 17. |

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| 19. **Media assistant.** "Media assistant" means a full-time equivalent public librarian aide or library technician I, librarian assistant or library technician II or librarian associate or library technician III, as documented in the department's database. | Revises full-time to full-time equivalent. |
| 20. **Middle school level.** "Middle school level" means grade 6 to grade 8. | No change to this definition |
| 20-A. **Minor capital costs.** "Minor capital costs" means costs relating to plant maintenance, minor remodeling, site development or the purchase of land not in conjunction with a construction project.<br><br>A. "Minor capital costs" does not include construction of new buildings or the purchase of land in conjunction with a school construction project.<br><br>B. Expenditures to repay funds borrowed for minor capital expenditures must be considered minor capital costs in the year in which these funds are repaid.<br><br>C. Purchase of land made in accordance with this subsection must be approved:<br><br>(1) By the legislative body of the school administrative unit; and | Moves definition of "minor capital costs" from Chapter 606 to Chapter 606-B – Formerly 15603 sub-section 18. |

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| (2) By the commissioner, under rules adopted for this purpose. | |
| **21. Municipality.** "Municipality" means a city, town or organized plantation. | No change to this definition |
| **21-A. Portable, temporary classroom space.** "Portable, temporary classroom space" means one or more mobile or modular buildings that are at least partially constructed off site and that are designed to be moved to other sites with a minimum of disassembly and reassembly. | Moves definition of "portable, temporary classroom space" from Chapter 606 to Chapter 606-B – Formerly 15603 sub-section 19-A. |
| ~~**22. Per-pupil guarantee.** "Per-pupil guarantee" means the total amount of funds that is made available for each subsidizable pupil representing the following cost components:~~<br><br>~~A. Salary and benefit costs for school level teaching staff;~~<br><br>~~B. Salary and benefit costs for other identified school level staff;~~<br><br>~~C. Designated costs for substitute teachers; and~~<br><br>~~D. Identified nonstaffing costs.~~ | This definition is repealed because sub-section 7-A changes the name of the per pupil rate from "Per pupil guarantee" to "EPS per-pupil rate". |
| **22-A. Predicted per-pupil transportation costs.** "Predicted per-pupil transportation costs" means the predicted transportation costs | Establishes a definition for "Predicted per-pupil transportation costs" for the new EPS Transportation model. |

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| for a school administrative unit based on the number of resident pupils, the number of miles of Class 1 to Class 5 roads in the school administrative unit and approved adjustments. Approved adjustments include a per mile rate equal to the state average gross transportation operating costs per mile driven for transportation associated with out-of-district special education programs, up to 2 round trips per day for vocational education programs, and adjustments for expenditures for ferry services within a school administrative unit, transportation of homeless children in accordance with section 5205 and transportation costs of island school administrative units. | |
| **23. Property fiscal capacity.** "Property fiscal capacity" means the ~~certified~~ state valuation ~~amount~~ amounts for the year prior to the most ~~recently certified state valuation~~ recent year.<br><br>~~**24. Property weight.** "Property weight" means a value between zero and one that is used to adjust a municipality's ratio of local per-pupil property fiscal capacity to the statewide per-pupil property fiscal capacity. The income weight, as defined in subsection 14, plus the property weight must total one.~~<br><br>**25. School administrative staff.** "School administrative staff" means full-time equivalent public school principals and assistant principals, as documented in the department's database. | Revises the definition of "Property fiscal capacity" to be consistent with the new school funding formula in section 15688, sub-section 3, paragraph A(2).<br>Revision should be as follows:<br>**23. Property fiscal capacity.** "Property fiscal capacity" means the certified state valuation ~~amount~~ for the year prior to the most ~~recent year~~recently certified state valuation.<br><br>Repeals a definition for Income weight which is no longer necessary with the new school funding formula beginning 2005-06. |

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| **26. School administrative unit's local contribution to EPS per-pupil rate.** "School administrative unit's local contribution to the ~~per-pupil guarantee~~ EPS per-pupil rate" means the funds that a school administrative unit provides for each subsidizable pupil who resides in that unit. | Revises full-time to full-time equivalent. |
| **27. School administrative unit's state contribution to EPS per-pupil rate.** "School administrative unit's state contribution to the ~~per-pupil guarantee~~ EPS per-pupil rate" means the funds that the State provides to a school administrative unit for each subsidizable pupil who resides in that unit. | Changes the name "per pupil guarantee" to "EPS per-pupil rate". |
| | Changes the name "per pupil guarantee" to "EPS per-pupil rate". |
| **28. School level.** "School level" means elementary level, middle school level and high school level. | No change to this definition |
| **29. School level teaching staff.** "School level teaching staff" means full-time equivalent public classroom teachers, itinerant classroom teachers and special teachers of reading or literacy specialists excluding special education teachers and vocational education teachers, as documented in the department's database. | Revises full-time to full-time equivalent. |
| **30. Secondary grades.** "Secondary grades" means grade 9 to grade 12. | No change to this definition |

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| **30-A. Special education costs.** "Special education costs" for subsidy purposes includes:<br><br>A. The salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform a special education service;<br><br>B. The costs of tuition and board to other schools for programs that have been approved by the commissioner and not paid directly by the State. Medical costs are not allowable as part of a tuition charge;<br><br>C. The following preschool handicapped services:<br><br>(1) The salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform preschool handicapped services that have been approved by the commissioner; and<br><br>(2) The cost of tuition to other schools for programs that have been approved by the commissioner; and<br><br>D. Special education costs that are the costs of educational services provided to students who are temporarily unable to participate in regular school programs. Students who may be included are pregnant | Moves definition of "Special Education costs" from Chapter 606 to Chapter 606-B – and removes Gifted and Talented costs from this definition. Gifted and Talented costs are now defined in sub-section 9-A. Formerly 15603, subsection 22. |

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| students, hospitalized students or those confined to their homes for illness or injury, students involved in substance abuse programs within hospital settings or in residential rehabilitation facilities licensed by the Department of Health and Human Services, Office of Alcoholism and Drug Abuse Prevention for less than 6 weeks duration or students suffering from other temporary conditions that prohibit their attendance at school. Students served under this paragraph may not be counted as exceptional students for federal reporting purposes.<br><br>**30-B. State-operated institution.** "State-operated institution" means any residential facility or institution that is operated by the Department of Health and Human Services or a school operated by the Department of Education. | Moves this definition from Chapter 606 to Chapter 606-B – Formerly 15603, subsection 23. |
| **31. State share percentage.** "State share percentage" means the percentage of the ~~sum of the following amounts that is provided by a state appropriation:~~ state contribution determined under section 15688, subsection 3, paragraph B divided by the total cost determined in section 15688, subsection 1.<br><br>~~A. Operating costs total allocation, as described in section 15683;~~ | Revises the definition of "state share percentage" to be consistent with the new school funding formula beginning 2005-06. |

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| ~~B. Program costs allocation, as described in section 15608, subsection 2;~~<br><br>~~C. Allocations for debt service costs, as defined in section 15603, subsection 8; and~~<br><br>~~D. Allocations for all adjustments and miscellaneous costs authorized pursuant to sections 15612 and 15613.~~<br><br>**31-A. State subsidy.** "State subsidy" means the total of the state contribution determined under section 15688, subsection 3, paragraph B and any applicable adjustment under section 15689. | Revises the definition of "state subsidy" to be consistent with the new school funding formula beginning 2005-06. |
| **31-B. Subsidizable costs.** "Subsidizable costs" includes the costs described in paragraphs A to C and used to calculate the total allocation amount:<br><br>A. The total operating allocation under section 15683;<br><br>B. Debt service cost, including the following:<br><br>(1) Principal and interest on approved school construction costs as described in subsection 2-A, paragraph A; excluding payments made with funds from state and local government accounts established under the federal Internal Revenue Code and regulations for disposition of excess, unneeded proceeds | Revises the definition of "subsidizable costs" to be consistent with the new school funding formula beginning 2005-06. Formerly 15603 sub-section 26-A. Should be revised to include D. Non-subsidizable costs (this section is under the Total Allocation definition in error).<br><br>D. Nonsubsidizable costs are not considered in the calculation of the total allocation. "Nonsubsidizable costs" includes the following:<br><br>(1) Community service costs;<br><br>(2) Major capital costs;<br><br>(3) Expenditures from all federal revenue sources, excep |

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| of bonds issued for a school project;<br><br>(2) Approved lease and lease purchase costs as described in subsection 2-A, paragraphs B and D; and<br><br>(3) Insured value factor costs as described in section 5806, subsection 2; and<br><br>C. Adjustments and miscellaneous costs under sections 15689 and 15689-A including special education tuition and board, excluding medical costs. For purposes of this paragraph, "special education tuition and board" means:<br><br>(1) Tuition and board for pupils placed directly by the State in accordance with rules adopted or amended by the commissioner; and<br><br>(2) Special education tuition and other tuition for institutional residents of state-operated institutions attending programs in school administrative units or private schools in accordance with rules adopted or amended by the commissioner. | t for amounts received under United States Public Law 81-874;<br><br>(4) Transportation costs not associated with transporting students from home to school and back home each day; and<br><br>(5)Costs payable to the Main e State Retirement System un der Title 5, section 17154, subsections 10 and 11. |
| 32. **Subsidizable pupils.** "Subsidizable pupils" means all school level pupils who reside in a school administrative unit and who are educated at public expense. | This definition already exists – however, should this definition be revised as follows?<br>32. **Subsidizable pupils.** "Subsidizable pupils" means all |

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| | school level pupils who reside in a school administrative unit and who are educated at public expense at a school in a school administrative unit, or at a private school approved for tuition purposes. |
| **32-A. Total allocation.** "Total allocation" means the total of the operating allocation as described in section 15683 and the debt service allocation as described in section 15683-A.<br><br>Nonsubsidizable costs are not considered in the calculation of the total allocation. "Nonsubsidizable costs" includes the following:<br><br>A. Community service costs;<br><br>B. Major capital costs;<br><br>C. Expenditures from all federal revenue sources, except for amounts received under United States Public Law 81-874;<br><br>D. Transportation costs not associated with transporting students from home to school and back home each day; and<br><br>E. Costs payable to the Maine State Retirement System under Title 5, section 17154, subsections 10 and 11. | Establishes a definition for "Total allocation" that is consistent with the new funding law. The section regarding Nonsubsidizable costs should not be under the definition for total allocation. This language belongs under the definition for "Subsidizable costs" section 31-A.<br><br>**32-A. Total allocation.** "Total allocation" means the total of the operating allocation as described in section 15683 and the debt service allocation as described in section 15683-A.<br><br>~~Nonsubsidizable costs are not considered in the calculation of the total allocation. "Nonsubsidizable costs" includes the following:~~<br><br>~~A. Community service costs;~~<br><br>~~B. Major capital costs;~~<br><br>~~C. Expenditures from all fe~~ |

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| | ~~deral revenue sources, except for amounts received under United States Public Law 81-874;~~<br><br>~~D. Transportation costs not associated with transportin g students from home to school and back home each day; and~~<br><br>~~E. Costs payable to the Maine State Retirement System under Title 5, section 17154, subsections 10 and 11.~~ |
| **32-B. Transportation operating costs.** "Transportation operating costs" means all costs incurred in the transportation of pupils in kindergarten to grade 12, including lease costs for bus garage and maintenance facilities and lease-purchase costs that the school administrative unit may apply to the purchase of bus garage and maintenance facilities, when the le ases and lease-purchase agreements have been approved by the commissioner, but excluding the costs of bus purchases and excluding all costs not associated with transporting students from hom e to school and back home each day. The amount includable for determining the subsidy for a school administrative unit for lease-purchase of bus garage and maintenance facilities may not exceed the amount for the lease of a comparable | Moves this definition from Chapter 606 to Chapter 606-B – Formerly 15603 sub-section 29. |

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| facility. | |
| **32-C. Vocational education costs.** "Vocational education costs" for subsidy purposes means all costs incurred by the vocational regions, centers or satellites in providing approved secondary scho ol vocational education programs, excluding transportation, capital costs and debt service. | Moves this definition from Chapter 606 to Chapter 606-B – Formerly 15603 sub-section 30. |
| **32-D. Year.** "Year" means a fiscal year starting July 1st and ending June 30th of the succeeding year.<br><br>**33. Year of funding.** "Year of funding" means the fiscal year during which state subsidies are disbursed to school administrative units, except as specified in section 15005, subsection 1. | Moves this definition from Chapter 606 to Chapter 606-B – Formerly 15603 sub-section 31.<br><br>No change to this definition. |
| **Sec. D-38. 20-A MRSA §15673,** as repealed and replaced by PL 2003, c. 712, §13, is repealed. | As a result of the language in this bill, this language is no longer necessary |
| **Sec. D-39. 20-A MRSA §15675, sub-§1,** as enacted by PL 2003, c. 504, Pt. A, §6, is amended to read:<br><br>**1. Limited English proficiency students.** The additional weights for school administrative units with limited English proficiency students are as follows:<br><br>A. For a school administrative unit with 15 or fewer limited English proficiency students, the unit receives an additional | Adds language regarding the approval of programs serving limited English proficient students. |

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| weight of .50 per student;<br><br>B. For a school administrative unit with more than 15 and fewer than 251 limited English proficiency students, the unit receives an additional weight of .30 per student; and<br><br>C. For a school administrative unit with 251 or more limited English proficiency students, the unit receives an additional weight of .60 per student.<br><br>Eligibility for state funds under this subsection is limited to school administrative units that are providing services to limited English proficient students through programs approved by the department. | |
| **Sec. D-40. 20-A MRSA §15676,** as enacted by PL 2003, c. 504, Pt. A, §6, is amended to read:<br><br>**§15676. EPS per-pupil rate**<br><br>For each school administrative unit, the commissioner shall calculate the unit's ~~per-pupil guarantee~~ EPS per-pupil rate for each year as the sum of:<br><br>**1. Teaching staff costs.** The salary and benefit costs for school level teaching staff that are necessary to carry out this Act, calculated in accordance with section 15678 and adjusted by the regional adjustment under section 15682; | <br><br><br>Changes the name "per pupil guarantee" to "EPS per-pupil rate".<br><br><br>Changes the application of the regional adjustment from an adjustment in the Total Allocation section 15683 to an adjustment to the EPS per pupil rates in section 15676. This is necessary in order to calculate the correct EPS rates for those units that do not operate schools. |

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| 2. **Other staff costs.** The salary and benefit costs for school-level staff who are not teachers, but including substitute teachers, that are necessary to carry out this Act, calculated in accordance with section 15679 and adjusted by the regional adjustment under section 15682; and<br><br>3. **Additional costs.** The per-pupil amounts not related to staffing, calculated in accordance with section 15680.<br><br>The EPS per-pupil rate is calculated on the basis of which schools students attend. For school administrative units that do not operate their own schools, the EPS per-pupil rate is calculated under section 15676-A. | Needs to include the adjustment for Title I funds:<br><br>1. **Teaching staff costs.** The salary and benefit costs for school level teaching staff that are necessary to carry out this Act, calculated in accordance with section 15678 and adjusted by the regional adjustment under section 15682 and reduced by the amount of all funds received by the school administrative unit under Title I of the federal Elementary and Secondary Education Act of 1965, 20 United States Code, Section 6301 et seq. during the most recent fiscal year.;<br><br>2. **Other staff costs.** The salary and benefit costs for school-level staff who are not teachers, but including substitute teachers, that are necessary to carry out this Act, calculated in accordance with section 15679 and adjusted by the regional adjustment under section 15682 and reduced by the amount of all funds received by the school administrative unit under Title I of the federal Elementary and Secondary Education Act of 1965, 20 United States Code, Section 6301 et seq. |

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| | during the most recent fiscal year; |
| **Sec. D-41. 20-A MRSA §15676-A** is enacted to read:<br><br>**§15676-A.EPS per pupil rate for units that do not operate schools**<br><br>**1. Definitions.** For purposes of this section, the following terms have the following meanings.<br><br>A. "Receiving unit" means the school administrative unit to which students are sent by the sending unit.<br><br>B. "Receiving unit cost" means the amount arrived at by multiplying the receiving unit's EPS rate by the number of students sent to that unit by the sending unit.<br><br>C. "Sending unit" means the school administrative unit sending students to other school administrative units.<br><br>**2. Calculation of EPS per-pupil rate.** For school administrative units that do not operate certain types of schools, the commissioner shall calculate that unit's EPS per-pupil rate for each year as follows.<br><br>A. For units that do not operate elementary grade schools, the EPS per-pupil rate for elementary grades is calculated by multiplying the number of students sent by | Establishes the method to determine EPS per-pupil rates for school administrative units that do not operate schools. |

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| the sending unit to an elementary grade receiving unit multiplied by the receiving unit's EPS per-pupil rate for elementary grades and the result divided by the number of students sent by the sending unit to that elementary grade receiving unit. If the sending unit sends students to more than one elementary grade receiving unit, then the elementary grade receiving unit cost for each student sent by the sending unit is added and the result divided by the total number of students sent to elementary grade receiving units by the sending unit. The result is the average elementary grade EPS per-pupil rate for the sending unit.<br><br>The EPS per-pupil rate for private schools approved for tuition purposes under chapter 117 is the statewide average EPS per-pupil rate for elementary grades. The elementary attending student count is the most recent October 1st count prior to the allocation year.<br><br>B. For units that do not operate secondary grade schools, the EPS per-pupil rate for secondary grades is calculated by multiplying the number of students sent by the sending unit to a secondary grade receiving unit multiplied by the receiving unit's EPS per-pupil rate for secondary grades and the result divided by the number of students sent by the sending unit to that secondary grade receiving unit. If the sending unit sends | |

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| students to more than one secondary grade receiving unit, then the secondary grade receiving unit cost for each student sent by the sending unit is added and the result divided by the total number of students sent to secondary grade receiving units by the sending unit. The result is the average secondary grade EPS per-pupil rate for the sending unit.<br><br>The EPS per-pupil rate for private schools approved for tuition purposes under chapter 117 is the statewide average EPS per-pupil rate for secondary grades. The secondary attending student count is the most recent October 1st count prior to the allocation year. | |
| **Sec. D-42. 20-A MRSA §15681,** as enacted by IB 2003, c. 2, §1, is repealed. | Repeals the conflict section created by the June referendum – School Finance Act of 2003. See Sec. D-56 of LD 1 – New Section number 15751. |
| **Sec. D-43. 20-A MRSA §15681-A** is enacted to read:<br><br>**§15681-A. Other subsidizable costs**<br><br>The following are other subsidizable costs.<br><br>1. **Bus purchases.** Bus purchase costs.<br><br>2. **Special education costs.** Beginning in fiscal year 2005-06, a school administrative unit receives an additional weight of at least 1.20 but not greater than 1.40 for each special education student identified on the annual Decembe | Creates a new section "Other subsidizable costs". This section includes:<br>• Program costs of bus purchases and vocational education are moved from the School Finance Act of 1985 – Chapter 606 to this section.<br>• Adds language for the new category of Gifted & Talented costs formerly under Special Education in the School Finance Act of 1985 – Chapter 606.<br>• Adds language for the new EPS special education cost model.<br>• Adds language for the new EPS Transportation model. |

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| r 1st child count as required by the federal Individuals with Disabilities Education Act for the most recent year, up to a maximum of 15% of the school administrative unit resident's pupils as determined under section 15674, subsection 1, paragraph C, subparagraph (1). For those school administrative units in which the annual December 1st child count for the most recent year is less than 15% of the school administrative unit's resident pupils as determined under section 15674, subsection 1, paragraph C, subparagraph (1), the special education child count percentage may not increase more than 0.5% in any given year, up to a maximum of 1.0% in any given 3-year period. For each special education student above the 15% maximum, the unit receives an additional weight of .38. In addition, each school administrative unit must receive additional funds:<br><br>A. For lower staff-student ratios and expenditures for related services for school administrative units with fewer than 20 special education students identified on the annual December 1st child count as required by the federal Individuals with Disabilities Education Act for the most recent year;<br><br>B. For high-cost in-district special education placements. Additional funds must be allocated for each student estimated to cost 3 times the statewide special education EPS per-pupil rate;<br><br>C. For high-cost out-of-district special | |

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| education placements. Additional funds must be allocated for each student estimated to cost 4 times the statewide special education EPS per-pupil rate; and<br><br>D. To ensure the school administrative unit meets the federal maintenance of effort requirement for receiving federal Individuals with Disabilities Education Act funds.<br><br>The commissioner shall develop an appeals procedure for calculated special education costs for school administrative units.<br><br>**3. Transportation costs.** For fiscal year 2005-06, the commissioner, using information provided by a statewide education policy research institute, shall establish a per-pupil transportation cost for each school administrative unit based on an analysis of the most recent year's reported transportation expenditures and a predicted per-pupil transportation cost based on the number of resident pupils, the number of miles of Class 1 to Class 5 roads in the school administrative unit and any approved adjustments. In fiscal year 2005-06 the established per-pupil transportation cost for each school administrative unit is the most recent year's reported transportation expenditures or predicted per-pupil transportation cost, plus 10%, whichever is lower. Beginning in fiscal year 2006-07, and for each subsequent fiscal year, the per-pupil transportation costs for each school administrative unit are its established costs for | |

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| the most recent year adjusted by the Consumer Price Index or other comparable index. For fiscal years 2005-06 and 2006-07, in no case may the per-pupil transportation costs for a school administrative unit be less than 75% of the established costs for the most recent fiscal year. Every 3 years, the commissioner, using information provided by a statewide education policy research institute, shall examine and may adjust reported transportation expenditures and predicted transportation costs. The commissioner shall develop an appeals procedure for established per-pupil transportation costs for school administrative units.<br><br>4. **Vocational education costs.** Vocational education costs in the base year adjusted to the year prior to the allocation year.<br><br>5. **Gifted and talented education costs.** Gifted and talented costs in the base year adjusted to the year prior to the allocation year. | |
| **Sec. D-44. 20-A MRSA §15682,** as enacted by IB 2003, c. 2, §1, is repealed. | Repeals the conflict section created by the June referendum – School Finance Act of 2003. See Sec. D-56 of LD 1 – New Section number 15752. |
| **Sec. D-45. 20-A MRSA §15683,** as amended by PL 2003, c. 712, §14, is further amended to read:<br><br>**§15683. Total operating allocation**<br><br>For each school administrative unit, that unit's total operating allocation is the base total set forth in subsection 1 as adjusted in accordance | Adds the "other subsidizable costs" to the Total Operating Allocation. |

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| with subsection 2 and including the total amount ~~for subsection 3~~ of other subsidizable costs as described in section 15681-A. | |
| **1. Base total.** The base total of a school administrative unit's total operating allocation is the sum of: | |
| A. The product of the school administrative unit's kindergarten to grade 8 ~~per-pupil guarantee~~ EPS per-pupil rate multiplied by the total of the kindergarten to grade 8 portions of the following pupil counts: | Changes the name "per pupil guarantee" to "EPS per-pupil rate". |
| (1) The pupil count set forth in section 15674, subsection 1, paragraph C; | |
| (2) The additional weight for limited English proficiency students calculated pursuant to section 15675, subsection 1; and | |
| (3) The additional weight for economically disadvantaged students calculated pursuant to section 15675, subsection 2; | |
| B. The product of the school administrative unit's grade 9 to 12 ~~per-pupil guarantee~~ EPS per-pupil rate multiplied by the total of the grade 9 to 12 portion of the following pupil counts: | Changes the name "per pupil guarantee" to "EPS per-pupil rate". |
| (1) The pupil count set forth in section | |

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| 15674, subsection 1, paragraphs A, B and C;<br><br>(2) The additional weight for limited English proficiency students calculated pursuant to section 15675, subsection 1; and<br><br>(3) The additional weight for economically disadvantaged students calculated pursuant to section 15675, subsection 2;<br><br>C. If the school administrative unit is eligible for targeted student assessment funds pursuant to section 15681, subsection 1, the sum of:<br><br>(1) The product of the elementary school level and middle school level per-pupil amount for targeted student assessment funds calculated pursuant to section 15681, subsection 2 multiplied by the kindergarten to grade 8 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); and<br><br>(2) The product of the high school level per-pupil amount for targeted student assessment funds calculated pursuant to section 15681, subsection 2 multiplied by the grade 9 to 12 portion of the pupil count calculated pursuant to | |

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| section 15674, subsection 1, paragraph C, subparagraph (1); | |
| D. If the school administrative unit is eligible for targeted technology resource funds pursuant to section 15681, subsection 1, the sum of: | |
| (1) The product of the elementary school level and middle school level per-pupil amount for targeted technology resource funds calculated pursuant to section 15681, subsection 3 multiplied by the kindergarten to grade 8 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); ~~and~~ | |
| (2) The product of the high school level per-pupil amount for targeted technology resource funds calculated pursuant of section 15681, subsection 3 multiplied by the grade 9 to 12 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); ~~and~~ | |
| E. If the school administrative unit is eligible for targeted kindergarten to grade 2 funds pursuant to section 15681, subsection 1, the product of the ~~per-pupil guarantee~~ EPS per-pupil rate multiplied by the additional weight for kindergarten to grade 2 calculated pursuant to section 15675, subsection 3~~.~~ | Changes the name "per pupil guarantee" to "EPS per-pupil rate".<br><br>Adds language for "necessary small unit" adjustment. |

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| ; and<br><br>F. A necessary small unit adjustment. A school administrative unit is eligible for a necessary small school adjustment when the unit meets the size and distance criteria as established by the commissioner and approved by the state board. The amount of the adjustment is the result of adjusting the necessary student-to-staff ratios determined in section 15679, subsection 2, the per-pupil amount for operation and maintenance of plant in section 15680, subsection 1, paragraph B or other essential programs and services components in chapter 606-B, as recommended by the commissioner.<br><br>**2. Adjustments.** The base total calculated pursuant to subsection 1 must be adjusted as follows.<br><br>A. The base total calculated pursuant to subsection 1 must be reduced by the amount of all funds received by the school administrative unit under Title I of the federal Elementary and Secondary Education Act of 1965, 20 United States Code, Section 6301 et seq. during the most recent fiscal year.<br><br>~~B. The amount calculated pursuant to paragraph A must be adjusted by the regional adjustment pursuant to section 15682.~~ | Paragraph A should be moved to the EPS per-pupil rates section.<br><br>~~A. The base total calculated pursuant to subsection 1 must be reduced by the amount of all funds received by the school administrative unit under Title I of the federal Elementary and Secondary Education Act of 1965, 20 United States Code, Section 6301 et seq. during the most recent fiscal year.~~<br><br>Changes the application of the regional adjustment from an adjustment in the Total Allocation section 15683 to an adjustment to the EPS per pupil rates in section 15676. This is necessary in order to calculate the correct EPS rates for those units that do not operate schools.<br><br>Need to add "excluding other subsidizable costs".<br>C. The amount calculated |

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| C. The amount calculated pursuant to ~~paragraph B~~ this subsection must be multiplied by the essential programs and services transition percentage for the appropriate year in accordance with section 15671, subsection 7, paragraph A. | pursuant to ~~paragraph B~~ this subsection excluding other subsidizable costs must be multiplied by the essential programs and services transition percentage for the appropriate year in accordance with section 15671, subsection 7, paragraph A. |
| **Sec. D-46. 20-A MRSA §15683,** as enacted by IB 2003, c. 2, §1, is repealed. | Repeals the conflict section created by the June referendum – School Finance Act of 2003. See Sec. D-56 of LD 1 – New Section number 15753. |
| **Sec. D-47. 20-A MRSA §15683-A** is enacted to read:<br><br>**§15683-A. Total debt service allocation**<br><br>For each school administrative unit, that unit's total debt service allocation is the base total defined in section 15683, subsection 1. | Moves this section from Chapter 606 to Chapter 606-B. Section and sub-section are incorrect – should be as follows:<br>**§15683-A. Total debt service allocation**<br><br>For each school administrative unit, that unit's total debt service allocation is the base total defined in section ~~1568~~3~~1~~5672, subsection ~~1~~2-A. |
| **Sec. D-48. 20-A MRSA §15684,** as enacted by PL 2003, c. 712, §15 and IB 2003, c. 2, §1, is repealed. | Repeals the conflict section created by the June referendum – School Finance Act of 2003. See Sec. D-56 of LD 1 – New Section number 15754. |
| **Sec. D-49. 20-A MRSA §15685,** as enacted by PL 2003, c. 504, Pt. A, §6 and IB 2003, c. 2, §1, is repealed. | Repeals the conflict section created by the June referendum – School Finance Act of 2003. See Sec. D-56 of LD 1 – New Section number 15755. |
| **Sec. D-50. 20-A MRSA §15688, sub-§1, ¶¶B and C,** as enacted by PL 2003, c. 712, §17, are amended to read: | This section is not needed – the language in Sec. D-51 is the correct language. Under this bill program costs are now |

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| B. The program cost allocation as used in chapter ~~606~~ 606-B; and<br><br>C. The debt service allocation as used in chapter ~~606~~ 606-B. | "other subsidizable costs". |
| **Sec. D-51. 20-A MRSA §15688, sub-§1, ¶¶B and C,** as enacted by PL 2003, c. 712, §17, are amended to read:<br><br>B. The ~~program cost allocation as used in chapter 606~~ other subsidizable costs described in section 15681-A; and<br><br>C. The total debt service allocation ~~as used in chapter 606~~ described in section 15683-A. | Amended the language from "programs costs" to "other subsidizable costs" and cites the appropriate section in Chapter 606-B.<br><br>Changes the debt service allocation cite from Chapter 606 to the appropriate section in Chapter 606-B. |
| **Sec. D-52. 20-A MRSA §15689, sub-§§1 and 3,** as enacted by PL 2003, c. 712, §17, are amended to read:<br><br>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:<br><br>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<br><br>B. Multiplying 5% of each school | Amends the minimum state allocation language. Minimum state allocation should not be an increase to the "total" but an increase to the State share and a corresponding reduction to the local share.<br>This language also clarifies that the minimum state allocation adjustment occurs after the adjustment for debt service (sub-section 2) has occurred. |

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| 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).<br><br>These funds must be ~~included as part of~~ an adjustment to the school administrative unit's ~~total~~ state and local allocation ~~as computed under this chapter and not as an adjustment to the school administrative unit's total allocation~~ after the state and local allocation has been adjusted for debt service pursuant to subsection 2.<br><br>**3. Adjustment limitations.** The amounts of the adjustments paid to school administrative units or municipalities ~~in subsections 1 and 2~~ pursuant to this section are limited to the amounts appropriated by the Legislature for these adjustments. | |
| **Sec. D-53. 20-A MRSA §15689, sub-§§4 to 6** are enacted to read:<br><br>**4. Audit adjustments.** The following provisions apply to audit adjustments.<br><br>A. If errors are revealed by audit and by the commissioner, the school administrative unit's state subsidy must be adjusted to include corrections.<br><br>B. If audit adjustments are discovered after the funding level is certified by the | Moves these sub-sections from Chapter 606 to Chapter 606-B.<br><br>Formerly section 15612, subsection 7. |

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| commissioner and the state board on December 15th pursuant to section 15689-C, the department may request the necessary additional funds, if any, to pay for these adjustments. These amounts, if any, are in addition to the audit adjustment amount certified by the commissioner and state board on the prior December 15th. | |
| **5. Adjustment for cost of educating eligible students in long-term drug treatment centers.** A school administrative unit that operates an educational program approved pursuant to chapter 327 to serve eligible students in licensed drug treatment centers must be reimbursed in the year in which costs are incurred as follows. | Formerly section 15612, subsection 10. |
| A. Reimbursements must be limited to a maxim um of 12 state average tuition rates a year for each approved plan. | |
| B. The rate of reimbursement per student may not exceed the state average tuition rates in effect during the year of placement as computed under sections 5804 and 5805. The tuition rates must be computed based on the state average secondary tuition rate and may be adjusted if the program is approved to operate beyond the 180-day school year. | |
| **6. Adjustment for uncertified personnel.** The | Formerly section 15610, subsection 1, paragraph D. |

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| commissioner shall reduce the state share of the total allocation to a school administrative unit in the current year or following year by an amount that represents the state share of expenditures for salaries and benefits paid to uncertified personnel. | |
| | |
| **Sec. D-54. 20-A MRSA §§15689-A to 15689-F** are enacted to read:<br><br>**§15689-A. Authorization of payment of miscellaneous costs**<br><br>**1. Payment of state agency client costs.** State agency client costs are payable pursuant to this subsection. As used in this subsection, "state agency client" has the same meaning as defined in section 1, subsection 34-A.<br><br>A. The commissioner shall approve special education costs and supportive services, including transportation, for all state agency clients placed in residential | Moves this section from Chapter 606 to Chapter 606-B –<br><br>Formerly section 15613, subsection 5. |

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| placements by an authorized agent of a state agency.<br><br>B. Special education costs authorized by this subsection for state agency clients must be paid by the department in the allocation year at 100% of actual costs.<br><br>C. The commissioner shall pay only approved special education costs and supportive services, including transportation, authorized by this subsection for state agency clients and may not allocate for those special education costs and supportive services, including transportation, incurred by the school administrative unit for state agency clients in the base years starting July 1, 1985, and every base year thereafter.<br><br>D. Transportation costs for state agency cli ents, when provided in accordance with rules established by the commissioner under section 7204, must be paid by the department in the allocation year at 100% of actual costs. | |
| **2. Education of institutional residents.** The commissioner may pay tuition to school administrative units or private schools for institutional residents within the limits of the allocation made under this section. | Formerly section 15613, subsection 6. |
| **3. Essential programs and services components contract.** The commissioner may contract for the updating of the essential programs and services | Establishes allocated language – for the current year, this miscellaneous cost is in unallocated language. |

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| component with a statewide education research institute. | |
| **4. Learning results implementation, assessment and accountability.** The commissioner may expend and disburse funds limited to the amount appropriated by the Legislature to carry out the purposes of Public Law 1995, chapter 649, sections 5 and 8. | Formerly section 15613, subsection 18. |
| **5. Regionalization, consolidation and efficiency assistance.** The commissioner may expend and disburse funds limited to the amount appropriated by the Legislature to carry out the purposes of promoting regionalization, consolidation and efficiency. | Establishes allocated language – for the current year, this miscellaneous cost is in unallocated language. This is not the Fund for Efficient Delivery of Educational Services |
| **6. Education research contract.** The commissioner may contract for the compilation and analysis of education data with a statewide education research institute. | Establishes allocated language – for the current year, this miscellaneous cost is in unallocated language. |
| **7. Disbursement limitations.** The funds disbursed in accordance with this section are limited to the amounts appropriated by the Legislature for these purposes. | Formerly section 15613, subsection 15. |
| **§15689-B. Authorization and schedules of payment of state subsidy; appeals** | Moves this section from Chapter 606 to Chapter 606-B – |

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| **1. Schedules of payment of unit allocation.** The commissioner shall authorize state subsidy payments to the school administrative units to be made in accordance with time schedules set forth in sections 15005, 15689-D and 15901 to 15910. | Formerly in section 15613, subsection 1. |
| **2. Notification of allocation ; commissioner's duty; superintendent's duty.** The following provisions apply to notification of allocation by the commissioner and each superintendent.<br><br>A. The commissioner shall annually, prior to February 1st, notify each school board of the estimated amount to be allocated to the school administrative unit.<br><br>B. Each superintendent shall report to the municipal officers whenever the school administrative unit is notified of the allocation or a change is made in the allocation resulting from an adjustment. | Formerly in section 15613, subsection 2. |
| **3. Payments of state subsidy to unit's treasurer ; basis.** State subsidy payments must be made directly to the treasurer of each school administrative unit. The payments must be based on audited financial reports submitted by school administrative units. | Formerly in section 15613, subsection 3. |
| **4. Appeals.** A school board may appeal the computation of state subsidy for the school administrative unit to the state board in writing | Formerly in section 15613, subsection 7. |

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| within 30 days of the date of notification of the computed amount. The state board shall review the appeal and make an adjustment if in its judgment an adjustment is justified. The state board's decision is final as to facts supported by the record of the appeal. | |
| **5. School purpose expense requirement.** Notwithstanding any other law, money allocated for school purposes may be expended only for school purposes. | Formerly in section 15613, subsection 8. |
| **6. Balance of allocations.** Notwithstanding any other law, general operating fund balances at the end of a school administrative unit's fiscal year must be carried forward to meet the unit's needs in the next year or over a period not to exceed 3 years. Unallocated balances in excess of 3% of the previous fiscal year's school budget must be used to reduce the state and local share of the total allocation for the purpose of computing state subsidy. School boards may carry forward un allocated balances in excess of 3% of the previous year's school budget and disburse these funds in the next year or over a period not to exceed 3 years. | Formerly in section 15613, subsection 9. |
| **7. Required data; subsidy payments withheld.** A school administrative unit shall provide the commissioner with information that the commissioner requests to carry out the purposes of this chapter, according to time schedules that the commissioner establishes. The commissioner may wi thhold monthly subsidy payments from a school | Formerly in section 15604, subsection 3 |

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| administrative unit when information is not filed in the specified format and with specific content and within the specified time schedules.<br><br>8. **Unobligated balances.** Unobligated balances from amounts appropriated for general purpose aid for local schools may not lapse but must be carried forward to the next fiscal year. | Formerly in section 15613, subsection 17. |
| **§15689-C. Commissioner's recommendation for funding levels; computations**<br><br>1. **Annual recommendation.** Prior to December 15th of each year, the commissioner, with the approval of the state board, shall recommend to the Governor and the Department of Administrative and Financial Services, Bureau of the Budget the funding levels that the commissioner recommends for the purposes of this chapter.<br><br>2. **Funding level computations.** The following are the funding level computations that support the commissioner's funding level recommendations:<br><br>A. The requested funding levels for the operating allocation under section 15683;<br><br>B. The requested funding levels for debt service under section 15683-A, which are as follows:<br><br>(1) The known obligations and estimates | Moves this section from Chapter 606 to Chapter 606-B –<br><br>Formerly in section 15605, subsection 1.<br><br>Formerly in section 15605, subsection 2.<br><br>Amended section references to be consistent with the new funding law – Chapter 606-B. |

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| of anticipated principal and interest costs for the allocation year;<br><br>(2) The expenditures for the insured value factor for the base year;<br><br>(3) The level of lease payments and lease-purchase payments pursuant to section 15672, subsection 2-A for the year prior to the allocation year; and<br><br>(4) Funds allocated by the state board for new school construction projects funded in the current fiscal year;<br><br>C. The requested funding levels for adjustments under section 15689, which must be computed by estimating costs for the allocation year; and<br><br>D. The requested funding levels for miscella neous costs under section 15689-A.<br><br>**3. Guidelines for updating other subsidizable costs.** The commissioner's recommendation for updating percentages to bring base year actual costs to the equivalent of one-year-old costs may not exceed the average of the 2 most recent percentages of annual increase in the Consumer Price Index. | Formerly in section 15605, subsection 3. |
| **§15689-D. Governor's recommendation for funding** | Moves this section from Chapter 606 to Chapter 606-B – |

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| levels<br><br>The Department of Administrative and Financial Services, Bureau of the Budget shall annually certify to the Legislature the funding levels that the Governor recommends under sections 15683, 15683-A, 15689 and 15689-A. The Governor's recommendations must be transmitted to the Legislature within the time schedules set forth in Title 5, section 1666. | Formerly section 15606. Amended section references to be consistent with the new funding law – Chapter 606-B. |
| **§15689-E. Actions by Legislature**<br><br>The Legislature shall annually, prior to March 15th, enact legislation to:<br><br>**1. Appropriation for state share of adjustments, debt service and operating; single account.** Appropriate the necessary funds for the State's share for general purpose aid for local schools with a separate amount for each of the following components:<br><br>A. Adjustments and miscellaneous costs described in sections 15689 and 15689-A, including an appropriation for special education pupils placed directly by the State, for:<br><br>(1) Tuition and board for pupils placed directly by the State in accordance with rules adopted or amended by the commissioner; and | Moves this section from Chapter 606 to Chapter 606-B – Formerly section 15607. Amended section references to be consistent with the new funding law – Chapter 606-B. |

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| (2) Special education tuition and other tuition for residents of state-operated institutions attending programs in school administrative units or private schools in accordance with rules adopted or amended by the commissioner; and<br><br>B. The state share of the total operating al location and the total debt service allocation described in sections 15683 and 15683-A; and<br><br>2. **Local cost share expectation.** Establish the local cost share expectation described in section 15671-A.<br><br>Funds for appropriations under this section must be placed in a single account. | |
| **§15689-F. Actions by department**<br><br>Within the annual appropriations, the department shall follow the procedures described in this section.<br><br>1. **State's obligation.** If the State's continued obligation for any program provided by one of the appropriated amounts under section 15689-E exceeds the appropriated amount, any unexpended balance from another of those appropriated amounts may be applied by the commissioner toward the obligation for that program. | Moves this section from Chapter 606 to Chapter 606-B – Formerly section 15607-A. Amended section references to be consistent with the new funding law – Chapter 606-B. |

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| **2. Cash flow.** For the purpose of cash flow, the commissioner may pay the full state and local share of the payment amounts due on bond issues for school construction from that school administrative unit's state subsidy, excluding payments on non-state-funded projects. This subsection does not apply if a school administrative unit has less subsidy than the total principal and interest payment on bonds. | |
| **Sec. D-55. 20-A MRSA §§15690 to 15695** are enacted to read:<br><br>**§15690. Local appropriations**<br><br>Beginning with the budget for the 2005-2006 school year, the following provisions apply to local appropriations for school purposes.<br><br>**1. School administrative unit contribution to total cost of funding public education from kindergarten to grade 12.** The legislative body of each school administrative unit may vote to raise and appropriate an amount up to the local share of the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in section 15688.<br><br>A. For a municipal school unit, an article in substantially the following form must be used when a single municipal school administrative unit is considering the appropriation of the local share of the school | Moves this section from Chapter 606 to Chapter 606-B – Formerly section 15614.<br><br>This section has been revised to be consistent with the new funding law – Chapter 606-B and to provide an article to implement the new additional voting requirements when an additional local appropriation exceeds the "maximum state and local spending target". |

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| administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in section 15688.<br><br>(1) "Article : To see what sum the municipality will appropriate for the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Fund ing Act (Recommend $ ) and to see what sum the municipality will raise as the municipality's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Fund ing Act in accordance with the Maine Revised Statutes, Title 20-A, section 15688. (Recommend $ .)"<br><br>(2) The following statement must accomp any the article in subparagraph (1). "Explanation: The school administrative unit's contribution to the total cost of funding public education from kindergart en to grade 12 as described in the Essential Programs and Services Funding Act is the amount of money determined by state law to be the minimum amount that a municipality must raise in order to receive the full amount of state | |

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| dollars."<br><br>B. For a school administrative district or a community school district, an article in substantially the following form must be used when the school administrative district or community school district is considering the appropriation of the local share of the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in section 15688.<br><br>(1) "Article : To see what sum each municipality will appropriate for the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and to see what sum each municipality will raise as each municipality's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act in accordance with the Maine Revised Statutes, Title 20-A, section 15688 (Recommends):<br><br>(2) The following statement must accompany the article in subparagraph | |

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| (1). "Explanation: The school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act is the amount of money determined by state law to be the minimum amount that each municipality must raise in order to receive the full amount of state dollars." | Formerly in section 15610, subsection 1, paragraph C. |
| C. The state share of the total cost of fund ing public education from kindergarten to grade 12 as described in section 15688, excluding state-funded debt service for each school administrative unit, is limited to the same proportion as the local school administrative unit raises of its local share of the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in section 15688, excluding state-funded debt service. | |
| 2. **Non-state-funded debt service.** For each school administrative unit's contribution to debt service for non-state-funded major capital school construction projects or non-state-funded portions of major capital school construction projects, the legislative body of each school administrative unit may vote to raise and appropriate an amount up to the municipality's or district's annual payments for | |

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| non-state-funded debt service.<br><br>A. An article in substantially the following form must be used when a school administrative unit is considering the appropriation for debt service allocation for non-state-funded school construction projects or non-state-funded portions of school construction projects.<br><br>(1) "Article : To see what sum the (municipality or district) will raise for the annual debt service payments on a non-state-funded school construction project or non-state-funded portion of a school construction project in addition to the funds appropriated as the local share of the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12. (Recommend $ .)"<br><br>(2) The following statement must accomp any the article in subparagraph (1). "Explanation: Non-state-funded debt service is the amount of money needed for the annual payments on the (municipality's or district's) long-term debt for major capital school const ruction that is not approved for state subsidy. The bonding of this long-term debt was approved by the voters on (date | |

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| of original referendum)." | |
| **3. Additional local appropriation.** A school administrative unit may raise and expend funds for educational purposes in addition to the funds under subsections 1 and 2. | |
| A. An article in substantially the following form must be used when a school administrative unit is considering the appropriation of additional local funds: | |
| (1) "Article : To see what sum the (municipality or district) will raise and to appropriate the sum of (Recommend $ ) in additional local funds for school purposes under the Maine Revised Statutes, Title 20-A, section 15690. (Recommend $ .)" | |
| (2) The following statement must accomp any the article in subparagraph (1). "Explanation: The additional local funds are those locally raised funds over and above the school administrative unit's l ocal contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and local amounts raised for the annual debt service payment on non-state-funded school construction projects or the non-state-funded portion of a school construction project | |

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| that will help achieve the (municipality's or district's) budget for educational programs."<br><br>B. An article in substantially the following form must also be used when a school administrative unit is considering an appropriation of additional local funds that exceeds the maximum state and local spending target defined in section 15671-A, subsection 4.<br><br>(1) "Article : Do you favor adopting a budget that exceeds those costs considered reasonably necessary according to the essential programs and services funding model by (Recommend $ .) for the purpose of (insert purpose)?"<br><br>**4. Total budget article.** A school administrative unit must include a summary article indicating the total annual budget for funding public education from kindergarten to grade 12 in the school administrative unit. The amount recommended must be the gross budget of the school system. This article does not provide money unless the other articles are approved.<br><br>A. "Article : To see what sum the (municipality or district) will authorize the school committee to expend for the fiscal year beginning (July 1, ) and ending (June 30, ) from the school | |

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| administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act, non-state-funded school construction projects, additional local funds for school purposes under the Maine Revised Statutes, Title 20-A, section 15690, unexpended balances, tuition receipts, state subsidy and other receipts for the support of schools. (Recommend $ .)"<br><br>5. **Vote.** Actions taken pursuant to subsections 1 to 4 must be taken by a recorded vote.<br><br>6. **Administrative costs for units with no pupils**. If a school administrative unit is required to pay administrative costs and has no allocation of state or local funds, that unit may raise and expend funds for administrative costs. | |
| §15691. **Municipal assessment paid to district**<br><br>1. **Presentation of assessment schedule.** The assessment schedule based on the budget approved at a community school district or school administrative district budget meeting must be presented to the treasurer of each municipality that is a member of the district.<br><br>The assessment schedule must include each member municipality's share of the school administrative unit's contribution to the total cost of funding | Moves this section from Chapter 606 to Chapter 606-B – Formerly section 15615. |

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| public education from kindergarten to grade 12 as described in section 15688, the school administrative unit's contribution to debt service for non-state-funded school construction projects and additional local funds for school purposes under section 15690.<br><br>**2. Municipal treasurer's payment schedule.** The treasurer of the member municipality, after being presented with the assessment schedule, shall forward 1/12 of that member municipality's share to the treasurer of the district on or before the 20th day of each month of the fiscal year beginning in July. | |
| **§15692. Special school districts**<br><br>**1. School administrative unit.** For the purposes of section 15695 and Title 20, sections 3457 to 3460, a special school district is deemed to be a school administrative unit.<br><br>**2. Debt service.** Debt service on bonds or notes issued by a special school district must be included in the school budget of the school administrative unit that operates the schools constructed by that district. The school board for the school administrative unit that operates the special district's schools shall pay to the special school district all sums necessary to meet the payments of principal and interest on bonds or notes when due and to cover maintenance or other costs for which the special school district is responsible. | Moves this section from Chapter 606 to Chapter 606-B – Formerly section 15616. |

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| **§15693. School budget; budget formats**<br><br>**1. Content.** A school administrative unit shall include in its school budget document:<br><br>A. The school administrative unit's total cost of funding public education from kindergarten to grade 12, its non-state-funded debt service, if any, and any additional expenditures authorized by law;<br><br>B. A summary of anticipated revenues and estimated school expenditures for the fiscal year; and<br><br>C. The following statement, including the estimated dollar amount of state retirement payments: "This budget does not include the estimated amount of $ in employer share of teacher retirement costs that is paid directly by the State."<br><br>**2. Budget deadlines.** The following time limitations apply to adoption of a school budget under this section.<br><br>A. At least 7 days before the initial meeting of the legislative body responsible for adopting a budget, the school administrative unit shall provide a detailed budget document to that legislative body and to any person who requests one and resides within the | Moves this section from Chapter 606 to Chapter 606-B – Formerly section 15617. |

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| geographic area served by the school administrative unit.<br><br>B. Notwithstanding a provision of law or charter to the contrary, school administrative units may adopt an annual budget prior to June 30th. The school budgets for career and technical education regions must be adopted on or before August 1st.<br><br>C. Notwithstanding any municipal charter provision, ordinance or other law to the contrary, if the level of state subsidy for the next school year is not finalized in accordance with this chapter before June 1st, the school board may delay a school budget meeting otherwise required to be held before July 1st to a date after July 1st. If a schoo l board elects to delay a school budget meeting under this paragraph, the meeting must be held and the budget approved within 30 days of the date the commissioner notifies the school board of the amount allocated to the school administrative unit under section 15689-B. When a school budget meeting is delayed under this paragraph, the school administrative unit may continue operation of the unit at the same budget levels as were approved for the previous year. Continued operation under the budget for the previous year is limited to the time between July 1st and the date the new budget goes into effect. | |

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| **3. Budget format.** The following provisions apply to a budget format.<br><br>A. Except as provided in subsection 4, the budget format is that prescribed by a majority of the school board until an article prescribing the school budget format is approved by a majority of voters in an election in which the total vote is at least 20% of the number of votes cast in the municipality in the last gubernatorial election, or 200, whichever is less.<br><br>B. The format of the school budget may be determined in accordance with section 1306.<br><br>C. It is the intent of the Legislature that a school board shall attempt to obtain public participation in the development of the school budget format.<br><br>**4. Budget format; town or city charter.** In a municipality where the responsibility for final adoption of the school budget is vested by municipal charter in a council, the school budget format may be changed through amendment of the charter under the home rule procedures of Title 30-A, chapter 111, except that the amendment must be approved by a majority of voters in an election in which the total vote is at least 20% of the number of votes cast in the municipality in the last gubernatorial election. | |

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| **5. Budget format; town meeting.** When the final budget authority is vested in a town meeting operating under the general enabling procedures of Title 30-A, the format of the school budget may be determined by the town meeting or under the procedures of Title 30-A, section 2522 or 2528.<br><br>**6. Budget format; community school district.** The following provisions apply to the budget format of a community school district.<br><br>A. An article containing the district's proposed budget format must be placed on the next warrant issued or ballot printed if:<br><br>(1) A majority of the district school committee votes to place it on the warrant or ballot; or<br><br>(2) A written petition signed by at least 10% of the number of voters voting in the last gubernatorial election in each municipality within the community school district requests it to be on the warrant or ballot.<br><br>B. The article containing the budget format may be voted on by secret ballot at an election conducted in accordance with Title 30-A, sections 2528 to 2532.<br><br>C. The district school committee shall:<br><br>(1) Issue a warrant specifying that the | |

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| municipal officers of the municipalities within the community school district shall place the budget format article on the secret ballot; and<br><br>(2) Prepare and furnish the required number of ballots for carrying out the election, including absentee ballots.<br><br>**7. Budget format; articles.** The articles prescribed in this chapter must be included in the budget format and be voted on in the adoption of the budget in order to determine state and local cost sharing.<br><br>**8. Change in budget format.** Any change in the budget format must be voted on at least 90 days prior to the budget year for which that change is to be effective. | |
| **§15694. Actions on budget**<br><br>The following provisions apply to approving a school budget under this chapter.<br><br>**1. Checklist required.** Prior to a vote on articles dealing with school appropriations, the moderator of a regular or special school budget meeting shall require the clerk or secretary to make a checklist of the registered voters present. The number of voters listed on the checklist is conclusive evidence of the number present at the meeting. | Moves this section from Chapter 606 to Chapter 606-B – Formerly section 15618. |

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| 2. **Reconsideration.** Notwithstanding any law to the contrary, in school administrative units where the school budget is finally approved by the voters, a special budget meeting to reconsider action taken on the budget may be called only as follows.<br><br>A. The meeting must be held within 30 days of the regular budget meeting at which the budget was finally approved.<br><br>B. In a school administrative district or community school district, the meeting must be called by the school board or as follows.<br><br>(1) A petition containing a number of signatures of legal voters in the member municipalities of the school administrative unit equaling at least 10% of the number of voters who voted in the last gubernatorial election in member municipalities of the school administrative unit, or 100 voters, whichever is less, and specifying the article or articles to be reconsidered must be presented to the school board within 15 days of the regular budget meeting at which the budget was finally approved.<br><br>(2) On receiving the petition, the school board shall call the special budget reconsideration meeting, which | |

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| must be held within 15 days of the date the petition was received.<br><br>C. In a municipality, the meeting must be called by the municipal officers:<br><br>(1) Within 15 days after receipt of a request from the school board, if the request is received within 15 days of the budget meeting at which the budget was finally approved and it specifies the article or articles to be reconsidered; or<br><br>(2) Within 15 days after receipt of a written application presented in accordance with Title 30-A, section 2532, if the application is received within 15 days of the budget meeting at which the budget was finally approved and it specifies the article or articles to be reconsidered.<br><br>**3. Invalidation of action of special budget reconsideration meeting.** If a special budget meeting is called to reconsider action taken at a regular budget meeting, the actions of the meeting are invalid if the number of voters at the special budget meeting is less than the number of voters present at the regular budget meeting.<br><br>**4. Line-item transfers.** Meetings requested by a school board for the purpose of transferring funds from one category or | |

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| line item to another must be posted for voter or council action within 15 days of the date of the request. | |
| **§15695. Bonds; notes; other**<br><br>All bonds, notes or other evidences of indebtedness issued for school purposes by a school administrative unit for major capital expenses, bus purchases or current operating expenses, including tax or other revenue anticipation notes, are general obligations of the unit.<br><br>**1. Tax assessments.** The municipal officers or school board shall require the sums that are necessary to meet in full the principal of and interest on the bonds, notes or other evidences of indebtedness issued pursuant to this section payable in each year to be assessed and collected in the manner provided by law for the assessment and collection of taxes.<br><br>**2. Reduction.** The sums to be assessed and collected under subsection 1 must be reduced by the amount of an allocation of funds appropriated by the Legislature to pay the principal and interest owed by the school administrative unit in a given year as certified to the unit by the commissioner. The commissioner shall certify the amount due to the unit within 30 days of its appropriation by the Legislature. | Moves this section from Chapter 606 to Chapter 606-B – Formerly section 15619. |

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| 3. **Collection.** After assessment and reduction under subsection 2, the remaining sum must be paid from ad valorem taxes, which may be levied without limit as to rate or amount upon all the taxable property within the school administrative unit. | |
| **Sec. D-56. 20-A MRSA c. 608** is enacted to read:<br>**CHAPTER 608**<br><br>**SCHOOL FINANCE ACT OF 2003**<br><br>**§15751. Short title**<br><br>This chapter may be known and cited as "the School Finance Act of 2003."<br><br>**§15752. Mandated legislative appropriations for kindergarten to grade 12 education**<br><br>The Legislature each year shall provide at least 55% of the cost of the total allocation for kindergarten to grade 12 education from General Fund revenue sources as established in chapter 606-B.<br><br>For the purposes of this chapter, and until such time as the Legislature may implement an alternative school funding system, "total allocation" means the foundation allocation for a year, the debt service allocation for that year, the sum of all adjustments for that year and the total of the additional local appropriations for the prior year. In the event the Legislature implements an alternative school funding model | Legislation resulting from June referendum with new section numbers and amendments in these sections are based on the Governor's proposed tax reform plan. |

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| that alters the meaning of the terms used in this Title or otherwise makes obsolete the system of allocations and local appropriations established by this Title, the term "total allocation" as it applies to the mandatory appropriation required by this section means the amount reasonably calculated as the equivalent of this definition.<br><br>**§15753. Mandated legislative appropriations for special education**<br><br>The Legislature shall provide 100% of the state and local cost of providing all special education services mandated under federal or state law, rule or regulation as established in chapter 606-B.<br><br>For the purposes of the mandatory appropriation required by this section, and in accordance with the essential programs and services school funding allocation system established in chapter 606-B, the commissioner shall identify and provide in the commissioner's recommendation pursuant to section 15689-C the total costs to the individual school administrative units associated with providing all special education services mandated under federal or state law, rule or regulation for the school year associated with the commissioner's recommendation. In addition to any appropriations required by section 15689-E, the Legislature shall appropriate and ensure the accurate distribution of the total amount identified by the commissioner, adjusted by the federal reimbursements for the costs of special education services mandated by federal or state law, rule or | |

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| regulation that will be provided to the individual school administrative units for that same school year.<br><br>**§15754. Fund for the Efficient Delivery of Educational Services**<br><br>The Fund for the Efficient Delivery of Educational Services, referred to in this section as "the fund," is established.<br><br>Two percent of the funds annually appropriated pursuant to this chapter must be dedicated to the fund and distributed from the fund to those school administrative units and municipalities that can demonstrate significant and sustainable savings in the cost of delivering educational services through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems.<br><br>**§15755. Entitlement**<br><br>The State's school administrative units and municipalities are entitled to the appropriations required by this chapter. | |

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| **Sec. D-57. 30-A MRSA §6006-F, sub-§6,** as enacted by PL 1997, c. 787, §13, is amended to read:<br><br>6. **Forgiveness of principal payments.** The fund must provide direct grants by forgiving the principal payments of a loan for an eligible school administrative unit. The amount of the forgiveness of principal payments must be determined by the school administrative unit's state share percentage as determined in Title 20-A, section 15672, subsection 31, not to exceed:<br><br>A. Seventy percent and no less than 30% for health, safety and compliance;<br><br>B. Seventy percent and no less than 30% for repairs and improvements; and<br><br>C. Seventy percent and no less than 30% for learning space upgrades. | Amends this language to be consistent with the new school funding formula. Formerly referred to section 15611 the state share percentage for debt services – that is no longer applicable in chapter 606-B and the new mill expectation. The new section 15672, subsection 31 defines the state share percentage for the new school funding formula.<br><br>Section 6, subsection C. increases the maximum and minimum percentages for learning space upgrades. |
| **Sec. D-58. Application.** This Part applies to school budgets passed for the fiscal year beginning July 1, 2005, and thereafter. | |
| **Sec. D-59. Effective date.** This Part takes effect July 1, 2005. | |

| SUMMARY | |
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| This bill increases the state share of education costs, provides property tax reduction for Maine residents and reduces government spending at all levels. Specifically, the bill accomplishes the following. | |
| Part D establishes a cap on total education costs. It also requires the State to increase its share of school funding by paying 50% of the total cost of essential programs and services in fiscal year 2006-07 and 55% in fiscal year 2008-09. As a result of this increased state aid to education, 90 cents of every dollar of the additional state aid are available for property tax reduction. The funds made available for property tax reduction, as a result of the State's increasing its share of education funding, must reduce property taxes. This property tax reduction may be overridden only by a majority vote of affected voters.<br><br>Part D also corrects a numbering problem created when Public Law 2003, chapter 504, Part A, section 6 and Initiated Bill 2003, chapter 2 both enacted substantively different provisions with the same section numbers. | |

| PROPOSED | NOTES |
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| **PART E**<br><br>**Sec. E-1. 30-A MRSA §706-A** is enacted to read:<br><br>**§706-A. Limitation on appropriations**<br><br>**1. Appropriation limit established.** Notwithstanding any other provision of law a county may not in any fiscal year make an appropriation, including an appropriation to reserves, except as otherwise provided in this section, where such appropriation is funded by an assessment on its member municipalities and where such appropriation would cause the county to exceed its assessment limit for the fiscal year. A county's assessment limit for any fiscal year must be set at its assessment limit for the prior fiscal year, multiplied by the sum of the following: one; plus the income growth factor set forth in subsection 3; plus the annual property growth factor for its member municipalities. The annual property growth factor for member municipalities is a fraction whose denominator is the total combined valuation of each member municipality and whose numerator is the total combined increase in the assessed valuation of any real or personal property in each member municipality during the prior fiscal year that may become subject to taxation for the first time, or taxed as a separate parcel for the first time during such fiscal year, or that has had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or | |

| PROPOSED | NOTES |
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| expansion of the property. In establishing the property growth factor under this section, the county must rely on the total valuation and increased valuation calculations of each member municipality under section 5721-A, subsection 1 for its most recently concluded fiscal year.<br><br>**2. Transition.** The appropriation limit established in subsection 1 becomes effective for a county for its first full fiscal year following the effective date of this section.<br><br>A. For purposes of determining the assessment limit for the first fiscal year for which this section is effective, the limit must be set at the amount assessed by the county on its member municipalities during the prior fiscal year, multiplied by the sum of the following: one; plus the income growth factor set forth in subsection 3; plus the annual property growth factor for its member municipalities set forth in subsection 1.<br><br>B. In the event the prior year's assessment reflects the effect of extraordinary, nonrecurring events, the county may submit a written notice to the State Tax Assessor requesting an adjustment in the assessment calculation. The adjustment must be determined in a reasonable amount of time.<br><br>**3. Income growth factor.** The income growth facto | |

| PROPOSED | NOTES |
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| r applicable to fiscal years following the effective date of this section is the base growth factor, defined as the average real personal income growth rate, defined in Title 5, section 1665, subsection 1, which rate may not exceed 2.75%. For fiscal years commencing after such time as the state tax burden ranks in the middle 1/3 of all states, as determined by the State Tax Assessor, the growth factor must become the personal income growth factor. The personal income growth factor is one plus the average percent change in personal income in this State for the prior 10 calendar years, ending with the most recent calendar year for which data are available, as estimated by the United States Department of Commerce, Bureau of Economic Analysis. For purposes of this section, "state tax burden" means the total amount of state and local taxes paid by Maine residents, per $1,000 of income, as determined by the State Tax Assessor based on data from the United States Department of Commerce, Bureau of Census and Bureau of Economic Analysis. The State Tax Assessor shall undertake this calculation no less than once per year. For any fiscal year thereafter, if the State Tax Assessor has determined that the state tax burden has increased to the highest 1/3 of states, the growth factor for the following fiscal year must be the base growth factor. In all other fiscal years when the state tax burden ranks in the middle 1/3 of states, as determined by the State Tax Assessor, the growth factor must be the personal income growth factor. | |

| PROPOSED | NOTES |
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| **4. Adjustment for new state funding.** In addition to subsection 3, in the event the State provides net new funding to a county for existing services funded in whole or in part by assessments, other than required state mandate funds pursuant to section 5685 that do not displace current assessment-based expenditures, the county must lower its assessment limit in that year in an amount equal to the net new funds. For purposes of this subsection, "net new funds" means the amount of funds received by the county from the State in that fiscal year, with respect to services funded in whole or in part by assessments, less the following product: the amount of such funds received in the prior fiscal year multiplied by an adjustment factor. The adjustment factor equals: one; plus the income growth factor described in subsection 3; plus the annual property growth factor for member municipalities as defined in subsection 1. In the event a county receives net new funds in any fiscal year for which its assessment limit has not been adjusted as provided in this subsection, the county must adjust its assessment limit in the following year in an amount equal to the net new funds.<br><br>**5. Extraordinary events.** Upon the affirmative vote of a majority of its governing body, a county may exceed its assessment limit in such an amount as necessary to comply with a court order or decree or to respond to an extraordinary event. | |

| PROPOSED | NOTES |
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| An "extraordinary event" includes any catastrophic event outside the control of the county commissioners such as a natural disaster, severe weather event, act of God, act of terrorism, fire, war and riot, but in no event may an "extraordinary event" include a change in economic conditions, revenue shortfall or increase in salaries or benefits. An appropriation made under this subsection may not cause the county's assessment limit to be adjusted for any future fiscal years nor may such an appropriation continue for longer than required to comply with the court order or decree or to address the extraordinary event.<br><br>**6. Referendum.** A county may elect to raise its assessment limit upon the affirmative vote of the voters of the county by written referendum vote held at any regular or special election. Notwithstanding any law to the contrary, such referendum may be called only upon the affirmative vote of a majority of the county commissioners and must be governed according to state law and any applicable charter. The warrant for the referendum must set forth the question to be determined, which must be in the following form: "Do you favor raising the levy limit of [name of county] for the purpose of [insert purpose]?"<br><br>**7. Treatment of surplus.** Any assessments collected by a county in any fiscal year in excess of its assessment limit, as determined by a final audited | |

| PROPOSED | NOTES |
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| accounting, must be transferred to a property tax relief fund, which each county must establish, and used to reduce assessments in subsequent fiscal years. Nothing in this subsection is intended to limit the ability of a county to maintain adequate reserves as permitted by law, provided that annual allocations or appropriations of funds to reserves are treated as appropriations subject to the appropriation limits set forth in subsection 1.<br><br>**8. Enforcement.** In the event a county makes appr opriations in violation of this section, the State Tax Assessor may require the county to adjust its appropriation limit downward in an amount equal to the illegal appropriation and impose such other penalties as the Legislature may provide. | |
| **PART F**<br><br>**Sec. F-1. 36 MRSA §685-A** is enacted to read:<br><br>**§685-A. Program funding**<br><br>During the period in which the State is increasing funding to at least 55% of the cost of essential programs and services, as described in Title 20-A, section 15671, the appropriation for the homestead property tax exemption must be at least $36,000,000.<br><br>Notwithstanding any other provision of law, beginn ing with fiscal year 2005-06 and ending with the | Sections F-1 through F-4 of the bill provide funding for increased property tax relief over the period of time during which the State is increasing funding of the cost of education spending up to 55%. The State's increase in education funding will result in a |

| PROPOSED | NOTES |
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| fiscal year for which the State first enacts a budget that funds at least 55% of the cost of essential programs and services as described in Title 20-A, section 15671, the State Controller shall transfer at the close of the fiscal year the balance of the funds appropriated for the homestead property tax exemption under this chapte r after all required deductions of appropriation, budgeted financial commitments and other adjustments considered necessary by the State Controller have been made to the so-called circuit breaker reserve for the following fiscal year.<br><br>**Sec. F-2. 36 MRSA §6203-A,** as enacted by PL 2003, c. 673, Pt. BB, §2, is amended to read:<br><br>**§6203-A. Procedure for reimbursement**<br><br>The State Tax Assessor shall determine the benefit for each claimant under this chapter and certify the amount to the State Controller to be transferred to the so-called circuit breaker reserve established, maintained and administered by the State Controller from General Fund undedicated revenue within the individual income tax category. The assessor shall pay the certified amounts to each approved applicant qualifying for the benefit under this chapter. Interest may not be allowed on any payment made to a claimant pursuant to this chapter.<br>In addition to the transfer required by section 685-A, by the end of fiscal years 2006-07, 2007-08 and 2008-09, the State Controller | reduction of local property taxes. The reduction in property taxes will in turn result in a decrease in the number and amount of Maine Residents Property Tax Program claims and reduced cost of the homestead exemptions. At the same time that these decreases are occurring, sections F-1 through F3 require that: 1) the appropriation for the homestead property tax exemption be at least $36,000,000, the approximate amount of the appropriation forecast for FY06 ($35,384,300) and FY07 ($36,105,037) and; 2) that for the 2006-07 and 2007-08 and 2008-09 years, the amount of the circuit breaker reserve is equal to the amount needed to meet the requirements of the program as estimated by the |

| PROPOSED | NOTES |
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| shall ensure that the amount transferred to the so-called circuit breaker reserve from undedicated revenue within the individual income tax category is equal to the amount needed to meet the requirements of this chapter for that year as estimated by the Revenue Forecasting Committee established in Title 5, section 1710-E in its report dated December 1, 2004, as adjusted by the assessor to reflect any statutory changes to this chapter enacted after the date of that report. The assessor must report any required adjustment to the State Controller no later than 15 days prior to the end of the fiscal year.<br><br>Beginning with fiscal year 2009-10 and ending with the fiscal year subsequent to the fiscal year for which the State first increases funding to at least 55% of the cost of essential programs and services as described in Title 20-A, section 15671, the State Controller shall ensure that, in addition to the transfer required by section 685-A, the amount transferred to the so-called circuit breaker reserve from undedicated revenue within the individual income tax category is equal to the estimated amount needed to meet the requirements of this chapter for that year as determined by the Revenue Forecasting Committee established in Title 5, section 1710-E and reported to the State Controller no later than June 15th of the respective fiscal year.<br>For purposes of this estimate, the Revenue Foreca sting Committee shall assume that funding for the essential programs and services as described | Revenue Forecasting Committee in its December 1, 2004 report.<br><br>Because there will be a decrease in the cost to these programs due to the increase in property tax relief, there will be "surplus" amounts resulting from the difference between the decrease in the cost of the programs due to property tax relief and the continued funding of these programs at pre-property tax relief levels. These "surplus" amounts will be "non-lapsing" and will be used first to provide property tax relief through an increase to the current maximum payment amount of $1,000 to claimants of the Maine Residents Property Tax Program.<br><br>Second, the income eligibility thresholds for the |

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| in Title 20-A, section 15671 was never enacted. The estimate must take into account any statutory changes to this chapter enacted after the Revenue Forecasting Committee's December 1, 2004 report.<br><br>Any amounts remaining in the so-called circuit breaker reserve account at the end of the fiscal year must be carried forward to the next fiscal year.<br><br>**Sec. F-3. 36 MRSA §6207, sub-§§1 and 2,** as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, are further amended to read:<br><br>**1. Benefit calculation.** For claimants representing a nonelderly household, the benefit is calculated as follows:<br><br>A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of $1,000.<br><br>The State Tax Assessor shall increase the maximum payment amount provided in paragraph A-1 no later than August 15, 2007, and annually thereafter, by an amount determined by the sum of any funds in the so-called circuit breaker reserve under section 6203-A as of July 1st of the fiscal year. In no fiscal year may the maximum payment amount arising from the adjustment made by the State Tax Assessor be less than in the prior | nonelderly portion of the Maine Residents Property Tax Program are increased from the current $30,300 to $50,000 for single-member households and from $46,900 to $75,000 for multi-member households beginning with the 2005 program year. |

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| fiscal year. The maximum payment amount must be rounded down to the nearest $50.<br><br>**2. Income eligibility.** Single-member households with household incomes in excess of $50,000 and households with 2 or more members with a household income in excess of $75,000 are not eligible for a benefit.<br><br>**Sec. F-4. 36 MRSA §6209, sub-§1,** as amended by PL 1989, c. 508, §25, is further amended to read:<br><br>**1. Household limitation adjustment.** The State Tax Assessor shall determine annually the household income eligibility adjustment factor. That factor must be multiplied by the applicable income limitations in sections 6206 and 6207, as previously adjusted according to this subsection, for the year prior to that for which relief is requested. The result must be rounded to the nearest $100 and applies to the year for which relief is requested corresponding to the year on which the annualized cost of living adjustments were based.<br><br>**Sec. F-5. 36 MRSA §6656,** as amended by PL 2001, c. 714, Pt. BB, §2 and affected by §4, is further amended to read:<br><br>**§6656. Payment of claims; procedure for reimbursement**<br><br>Except as provided in section 6652, subsection 3, | Sections F-5 and F-6 eliminate the appropriation for the Business Equipment Tax Reimbursement (BETR) Program and create in its place the BETR Tax Reimbursement Reserve |

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| upon receipt of a timely and properly completed claim for reimbursement, the State Tax Assessor shall certify that the claimant is eligible for reimbursement and shall pay the amount claimed as provided by this section by November 1st or within 90 days after receipt of the claim, whichever is later. For those claims for which payments are withheld pursuant to section 6652, subsection 3, reimbursement must be paid within 90 days after the assessor receives notification under that subsection that the report has been received.<br><br>Notwithstanding any other provision of law, the State Tax Assessor shall determine the benefit for each claimant under this chapter and certify the amount to the State Controller to be transferred to the so-called Business Equipment Tax Reimbursement Reserve account established, maintained and administered by the State Controller from General Fund undedicated revenue within the individual income tax category. The assessor shall pay the certified amounts to each approved applicant qualifying for the benefit under this chapter. Interest may not be allowed on any payment made to a claimant pursuant to this chapter.<br><br>**Sec. F-6. Appropriations and allocations.** The following appropriations and allocations are made.<br><br>**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF** | Account to which transfers are made from the General Fund Undedicated Revenue within the Individual Income Tax category in order to pay benefits under the BETR program. An identical method of funding was created last year for the "circuit breaker reserve." This method of funding eliminates the cost of the program, which like the "circuit breaker" program, is a reimbursement program, from the general fund. The reflection of these programs as "tax expenditure" programs, rather than programs that are funded from an appropriation, more closely reflects the cost impact of the programs to the State. In data that is used to measure States' tax burdens, such as the US Census |

| PROPOSED | | | NOTES |
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| **Business Equipment Tax Reimbursement Program 0806** | | | Bureau's tax burden estimates programs, such as BETR, are reflected as an additional tax burden to the State. |
| Initiative: Deappropriates funds in the Business Equipment Tax Reimbursement program in order to establish the Business Equipment Tax Reimbursement Reserve account from General Fund undedicated revenue within the individual income tax category. | | | |
| **GENERAL FUND** | | | |
| All Other | ($78,132,345) | ($82,8 | |
| GENERAL FUND TOTAL | ($78,132,345) | ($82,8 | |
| **REVENUES** | | | |
| **Individual income tax** | | | |
| General Fund | ($74,069,463) | ($78,5 | |
| Local Government Fund | ($4,062,882) | ($4,3 | |
| REVENUES TOTAL | | ($78,1 | |
| **Sec. F-7. Maine Residents Property Tax Program.** The State Tax Assessor shall undertake a study of the Maine Residents Property Tax Program and shall specifically examine how the program can be amended so that the maximum benefit provided by the program may be increased over time. The study shall examine alternative means by which the maximum benefit under the program may be increased to $2,000 in time for the 2009 program year and to $3,000 in time for the 2011 program year. The State Tax Assessor shall also study the potential benefits of making the Maine Residents Property | | | Section F-7 directs the State Tax Assessor to undertake a study of the Maine Residents Property Tax Program in order to examine how the maximum benefit under the program may be increased to $2,000 by 2009 and to $3,000 by 2011. The State Tax Assessor is to report to the Taxation Committee |

| PROPOSED | NOTES |
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| Tax Program a part of the Maine income tax program. The State Tax Assessor shall report to the joint standing committee of the Legislature having jurisdiction over taxation matters by January 2, 2006.<br><br>**Sec. F-8. Maine State Housing Authority property tax deferral program.** The Maine State Housing Authority, in consultation with Maine Revenue Services, shall develop a plan to issue bonds, the proceeds from which must be used to establish a property tax deferral program. The program will allow any Maine resident with a property tax bill on that resident's principal residence that exceeds 6% of that resident's income to elect to defer property tax payments that otherwise exceed 6% of income. The program must require repayment, with interest, of deferred property tax amounts upon transfer of the property. The program must provide for securing the property tax payments deferred, consider equity in the property and provide for low transaction costs and for ease of application for program participants. The Maine State Housing Authority shall examine the impact upon program participants if market value in the property has declined from the time of property tax payment deferral to the time of property transfer. The Maine State Housing Authority shall, in consultation with Maine Revenue Services, develop and implement administrative policies and practices, including but not limited to a common application form, to ensure coordination of the property tax deferral program established by this | of the Legislature by January 2, 2006 regarding how to implement the goal of further relief.<br><br>• Sec. F-8 directs the Maine State Housing Authority, in consultation with Maine Revenue Services, to develop a plan to issue bonds, the proceeds from which will be used to establish a Property Tax Deferral Program.<br><br>• The program will allow any Maine resident with a property tax bill on their principal residence that exceeds 6% of income to elect to defer property tax payments that otherwise exceed 6% of |

| PROPOSED | NOTES |
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| section and the Maine Residents Property Tax Program established in the Maine Revised Statutes, Title 36, chapter 907. The Maine State Housing Authority shall report to the joint standing committee of the Legislature having jurisdiction over taxation matters by March 1, 2005 any legislation necessary to carry out the purpose of this section. The committee may subsequently report to the First Regular Session of the 122nd Legislature any implementing legislation to carry out the purposes of this section.<br><br>**Sec. F-9. Household income eligibility adjustment factor.** The household income eligibility adjustment factor in the Maine Revised Statutes, Title 36, section 6209, subsection 1 may not be applied to Title 36, section 6207 for the Maine Residents Property Tax Program that begins on August 1, 2005.<br><br>**Sec. F-10. Application.** That section of this Part that amends the Maine Revised Statutes, Title 36, section 6207, subsection 2 applies to applications filed for any Maine Residents Property Tax Program beginning on or after August 1, 2005. That section of this Part that amends Title 36, section 6209 applies to any Maine Residents Property Tax Program beginning on or after August 1, 2005, except that the household income eligibility adjustment factor in Title 36, section 6209 does not apply to Title 36, section 6207 for the Maine Residents Property Tax Program that begins on August 1, 2005. | income.<br><br>• The program will require repayment, with interest, of deferred property tax amounts upon transfer of the property.<br><br>• The program will provide for securing the property tax payments deferred, consider equity in the property and provide for low transaction costs and for ease of application for program participants.<br><br>• The provision also calls for the development and implementation of administrative policies and practices, including but not limited to a common |

| PROPOSED | NOTES |
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| **Sec. F-11. Effective date.** That section of this Part that amends the Maine Revised Statutes, Title 36, section 6656 takes effect July 1, 2005. | application form, to ensure coordination of this new property tax deferral program with Maine Residents Property Tax Program.<br>• Implementing legislation is to be reported to the Taxation Committee by March 1, 2005. |
| **PART G**<br><br>**Sec. G-1. 30-A MRSA §7102,** as enacted by PL 1987, c. 737, Pt. A, §2 and Pt. C, §106 and amended by PL 1989, c. 6, c. 9, §2 and c. 104, Pt. C, §§8 and 10, is further amended by adding at the end a new paragraph to read:<br><br>The appropriation limitations set forth in section 5721-A are applicable to the appropriations and revenues of plantations. | |

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| **PART H**<br><br>**Sec. H-1. 36 MRSA Pt. 11** is enacted to read:<br><br>PART 11<br><br>STATE TAX POLICY GOALS<br><br>CHAPTER 931<br><br>TAX BURDEN REDUCTION GOAL<br><br>§7301. Tax reduction goal<br><br>It is the goal and policy of the State that by 2015 the total state and local tax burden be reduced to the national average total state and local tax burden, as determined by the United States Census Bureau's most recent tax burden analysis, adjusted by the assessor to reflect the State's unique expenditure tax relief programs.<br><br>§7302. Progress reporting<br><br>**1. Independent commission; membership.** In consultation with the Legislative Council, the Governor shall establish an independent commission to separately assess and report on the progress made by the State, municipalities, counties and school administrative units, respectively, in achieving the tax burden reduction goal established in section 7301. The Governor shall appoint as members to serve on the commission persons with | Part H language establishes tax policy goals, progress reporting, the Fund for Efficient Delivery of Educational Services, the Fund for Efficient Delivery of Local and Regional Services. |

| PROPOSED | NOTES |
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| pertinent knowledge and expertise in economic development, government finance, tax policy and business matters. The Governor shall designate a member to serve as chair of the commission. The commission may seek and receive outside funds to fund the costs of the commission.<br><br>**2. Indicators; annual report.** With reference to Title 5, chapter 142; Title 20-A, section 15671, subsection 1; and Title 30-A, sections 706-A and 5721-A, the commission shall develop and apply specific, quantifiable performance indicators against which the progress in achieving the tax burden reduction goal established in section 7301 can be measured. On January 15, 2006 and annually thereafter, the commission shall report to the Governor and to the joint standing committee of the Legislature having jurisdiction over taxation matters on the progress made by the State, counties, municipalities and school administrative units, respectively, in achieving the tax burden reduction goal established in section 7301. The report required by this subsection must be comprised of 4 distinct parts reporting on the progress made by the State, municipalities, counti es and school administrative units, respectively. The commission may also include in its report recommendations on alternative strategies to achieve the tax burden reduction goal established in section 7301 that reflect the best practices in this State, other states and other countries.<br><br>**Sec. H-2. Fund for the Efficient Delivery of Educational Services.** | |

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| In accordance with Initiated Bill 2003, chapter 2, section 4, subsection 2, this section provides for the design, implementation, management and oversight of the Fund for the Efficient Delivery of Educational Services established by the Maine Revised Statutes, Title 20-A, section 15684, referred to in this section as "the fund." Any balance remaining in the fund at the end of any fiscal year does not lapse and must be carried forward for the next fiscal year.<br><br>The Department of Education shall administer the fund or may contract for services for administration of the fund.<br><br>Notwithstanding Title 20-A, section 15684, the Treasurer of State shall transfer from the amount appropriated for general purpose aid for local schools to the fund the following amounts on the first day of each of the following fiscal years:<br><br>**1. Fiscal year 2005-06.** In fiscal year 2005-06, an amount equivalent to 0.5% of the total amount appropriated for general purpose aid for local schools;<br><br>**2. Fiscal year 2006-07.** In fiscal year 2006-07, an amount equivalent to 1% of the total amount appropriated for general purpose aid for local schools;<br><br>**3. Fiscal year 2007-08.** In fiscal year 2007-08, an amount equivalent to 1.5% of the total amount | |

| PROPOSED | NOTES |
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| appropriated for general purpose aid for local schools; and<br><br>**4. Fiscal year 2008-09.** In fiscal year 2008-09, an amount equivalent to 2% of the total amount appropriated for general purpose aid for local schools.<br><br>The Department of Education, in consultation with the Executive Department, State Planning Office and the other agencies, organizations and individuals determined appropriate by the Commissioner of Education, shall establish criteria through which school administrative units and municipalities may demonstrate significant and sustainable savings in the cost of delivering educational services and improved achievement through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems.<br><br>Prior to the end of fiscal year 2008-09, a school administrative unit or municipality may apply to the Commissioner of Education for a distribution from the fund. Pursuant to criteria established in this section, the commissioner may authorize distributions from the fund in the form of competitive and planning grants. | This fund would follow the model established under Public Law 2003, c. 20, §W (the FY04-05 budget) to implement the Fund for the Efficient Delivery of Local and Educational Services established in the School Finance Act of 2003. A 2% set-aside from revenue sharing would fund grants to municipalities. |

| PROPOSED | NOTES |
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| **Sec. H-3. Fund for the Efficient Delivery of Local and Regional Services; distribution.** In accordance with Initiated Bill 2003, chapter 2, section 4, subsection 3, this section provides for the design, implementation, management and oversight of the Fund for the Efficient Delivery of Local and Regional Services established in the Maine Revised Statutes, Title 30-A, section 5681, subsection 3, referred to in this section as "the fund." The Department of Administrative and Financial Services shall distribute the fund, in the form of competitive grants and planning grants, to municipalities that demonstrate significant and sustainable savings in the cost of delivering local and regional governmental services, or, in the case of planning grants, the potential for such savings, through collaborative approaches to service delivery, enhanced regional delivery systems, the consolidation of regional services and the creation of broad-based purchasing alliances in accordance with the criteria and application process developed by the department pursuant to Public Law 2003, chapter 20, Part W, section 2. The Department of Administrative and Financial Services may contract for services for administration of the fund.<br><br>**Emergency clause.** In view of the emergency cited in the preamble, this Act takes effect when approved, except as otherwise indicated. | A description of the existing grant program can be found at www.state.me.us/dafs/fund. |
| **SUMMARY** | |

| PROPOSED | NOTES |
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| This bill increases the state share of education costs, provides property tax reduction for Maine residents and reduces government spending at all levels. Specifically, the bill accomplishes the following.<br><br>Parts C and E establish caps on the growth of municipal and county spending, respectively. These caps may not be exceeded except in defined extraordinary circumstances or as overridden by a majority vote of the voters of the municipality or county. | |
| Part F provides funding for increasing property tax relief over the period of time during which the State is increasing funding of education spending up to at least 55%. The specific relief provided is in an increase in the income limits and maximum payment amount to claimants under the Maine Residents Property Tax Program.<br><br>Part F expands the nonelderly portion of the Maine Residents Property Tax Program by increasing household income limitations to $50,000 for single-member households and $75,000 for multimember households. The expansion applies to program years beginning on or after August 1, 2005.<br><br>Part F directs the State Tax Assessor to undertake a study of the Maine Residents Property | |

| PROPOSED | NOTES |
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| Tax Program in order to examine how the maximum benefits under the program may be increased over time. The State Tax Assessor is to report to the joint standing committee of the Legislature having jurisdiction over taxation matters by January 2, 2006.<br><br>Part F directs the Maine State Housing Authority to create a tax deferral program. The tax relief option in this section would permit any Maine resident to defer property tax payments on a principal residence, so that no Maine resident will have to pay more than 6% of income in property taxes. The program must require repayment, with interest, of deferred property tax amounts upon transfer of the property. The program must provide for securing the property tax payments deferred, consider equity in the property and provide for low transaction costs and provide for ease of application for program participants. The Maine State Housing Authority and Maine Revenue Services must examine combining administration of the tax deferral program and Maine Residents Property Tax Program.<br><br>Part F eliminates the appropriation for the Business Equipment Tax Reimbursement, "BETR," program and in its place creates the Business Equipment Tax Reimbursement Reserve account, to which transfers are made from General Fund undedicated revenue within the individual income tax category in order to pay benefits under the BETR program. | |

| PROPOSED | NOTES |
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| Part G provides that the appropriation limitations for municipalities under Part C are applicable to plantations.<br><br>Part H establishes the goal of reducing the total state and local tax burden to the national average in 10 years. It also requires the Governor, in consultation with the Legislative Council, to establish an independent commission to annually assess and report to the Governor and Legislature on progress toward the tax burden reduction goal.<br><br>Part H supports additional property tax reduction through grants to municipalities and schools to create cost-saving service delivery. | |

| PROPOSED | NOTES |
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| **PART H**<br><br>**Sec. H-1. 36 MRSA Pt. 11** is enacted to read:<br><br>PART 11<br><br>STATE TAX POLICY GOALS<br><br>CHAPTER 931<br><br>TAX BURDEN REDUCTION GOAL<br><br>**§7301. Tax reduction goal**<br><br>It is the goal and policy of the State that by 2015 the total state and local tax burden be reduced to the national average total state and local tax burden, as determined by the United States Census Bureau's most recent tax burden analysis, adjusted by the assessor to reflect the State's unique expenditure tax relief programs.<br><br>**§7302. Progress reporting**<br><br>**1. Independent commission; membership.** In consultation with the Legislative Council, the Governor shall establish an independent commission to separately assess and report on the progress made by the State, municipalities, counties and school administrative units, respectively, in achieving the tax burden reduction goal established in section 7301. The Governor shall appoint as members to serve on the commission persons with pertinent knowledge and expertise in | Part H language establishes tax policy goals, progress reporting, the Fund for Efficient Delivery of Educational Services, the Fund for Efficient Delivery of Local and Regional Services. |

| PROPOSED | NOTES |
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| economic development, government finance, tax policy and business matters. The Governor shall designate a member to serve as chair of the commission. The commission may seek and receive outside funds to fund the costs of the commission.<br><br>**2. Indicators; annual report.** With reference to Title 5, chapter 142; Title 20-A, section 15671, subsection 1; and Title 30-A, sections 706-A and 5721-A, the commission shall develop and apply specific, quantifiable performance indicators against which the progress in achieving the tax burden reduction goal established in section 7301 can be measured. On January 15, 2006 and annually thereafter, the commission shall report to the Governor and to the joint standing committee of the Legislature having jurisdiction over taxation matters on the progress made by the State, counties, municipalities and school administrative units, respectively, in achieving the tax burden reduction goal established in section 7301. The report required by this subsection must be comprised of 4 distinct parts reporting on the progress made by the State, municipalities, counties and school administrative units, respectively. The commission may also include in its report recommendations on alternative strategies to achieve the tax burden reduction goal established in section 7301 that reflect the best practices in this State, other states and other countries. | |

| PROPOSED | NOTES |
|---|---|
| **Sec. H-2. Fund for the Efficient Delivery of Educational Services.** In accordance with Initiated Bill 2003, chapter 2, section 4, subsection 2, this section provides for the design, implementation, management and oversight of the Fund for the Efficient Delivery of Educational Services established by the Maine Revised Statutes, Title 20-A, section 15684, referred to in this section as "the fund." Any balance remaining in the fund at the end of any fiscal year does not lapse and must be carried forward for the next fiscal year.<br><br>The Department of Education shall administer the fund or may contract for services for administration of the fund.<br><br>Notwithstanding Title 20-A, section 15684, the Treasurer of State shall transfer from the amount appropriated for general purpose aid for local schools to the fund the following amounts on the first day of each of the following fiscal years:<br><br>1. **Fiscal year 2005-06.** In fiscal year 2005-06, an amount equivalent to 0.5% of the total amount appropriated for general purpose aid for local schools;<br><br>2. **Fiscal year 2006-07.** In fiscal year 2006-07, an amount equivalent to 1% of the total amount appropriated for general purpose aid for local schools;<br><br>3. **Fiscal year 2007-08.** In fiscal year 2007-08, an amount equivalent to 1.5% of the total amount | Section references need to be corrected:<br><br>**Sec. H-2. Fund for the Efficient Delivery of Educational Services.** In accordance with Initiated Bill 2003, chapter 2, section 4, subsection 2, this section provides for the design, implementation, management and oversight of the Fund for the Efficient Delivery of Educational Services established by the Maine Revised Statutes, Title 20-A, section ~~15684~~15754, referred to in this section as "the fund." Any balance remaining in the fund at the end of any fiscal year does not lapse and must be carried forward for the next fiscal year.<br><br>The Department of Education shall administer the fund or may contract for services for administration of the fund.<br><br>Notwithstanding Title 20-A, section ~~15684~~15754, the Treasurer of State shall transfer from the amount appropriated for general purpose aid for local schools to the fund the following amounts on the first day of each of the following fiscal years: |

| PROPOSED | NOTES |
|---|---|
| appropriated for general purpose aid for local schools; and<br><br>**4. Fiscal year 2008-09.** In fiscal year 2008-09, an amount equivalent to 2% of the total amount appropriated for general purpose aid for local schools.<br><br>The Department of Education, in consultation with the Executive Department, State Planning Office and the other agencies, organizations and individuals determined appropriate by the Commissioner of Education, shall establish criteria through which school administrative units and municipalities may demonstrate significant and sustainable savings in the cost of delivering educational services and improved achievement through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems.<br><br>Prior to the end of fiscal year 2008-09, a school administrative unit or municipality may apply to the Commissioner of Education for a distribution from the fund. Pursuant to criteria established in this section, the commissioner may authorize distributions from the fund in the form of competitive and planning grants.<br><br>**Sec. H-3. Fund for the Efficient Delivery of Local and Regional** | |

| PROPOSED | NOTES |
|---|---|
| **Services; distribution.** In accordance with Initiated Bill 2003, chapter 2, section 4, subsection 3, this section provides for the design, implementation, management and oversight of the Fund for the Efficient Delivery of Local and Regional Services established in the Maine Revised Statutes, Title 30-A, section 5681, subsection 3, referred to in this section as "the fund." The Department of Administrative and Financial Services shall distribute the fund, in the form of competitive grants and planning grants, to municipalities that demonstrate significant and sustainable savings in the cost of delivering local and regional governmental services, or, in the case of planning grants, the potential for such savings, through collaborative approaches to service delivery, enhanced regional delivery systems, the consolidation of regional services and the creation of broad-based purchasing alliances in accordance with the criteria and application process developed by the department pursuant to Public Law 2003, chapter 20, Part W, section 2. The Department of Administrative and Financial Services may contract for services for administration of the fund. | |

| PROPOSED | NOTES |
|---|---|
| **Emergency clause.** In view of the emergency cited in the preamble, this Act takes effect when approved, except as otherwise indicated. | |
| **SUMMARY**<br><br>This bill increases the state share of education costs, provides property tax reduction for Maine residents and reduces government spending at all levels. Specifically, the bill accomplishes the following. | |
| Part H establishes the goal of reducing the total state and local tax burden to the national average in 10 years. It also requires the Governor, in consultation with the Legislative Council, to establish an independent commission to annually assess and report to the Governor and Legislature on progress toward the tax burden reduction goal.<br><br>Part H supports additional property tax reduction through grants to municipalities and schools to create cost-saving service delivery. | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/9/04

## GOVERNMENT SPENDING/TAX LIMITS
## STATE LIMITS (Part – A)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| State budget process limits<br>Sec. A-6 | 1. Agency budget requests :<br>Departments submit to SBO requirements for ensuing biennium for current services authorized by law. GF appropriation requests may not exceed the GF appropriation for previous fiscal year plus average real personal income growth rate (10 prior calendar years average growth (BEA) less CPI) | 1. Agency budget requests :<br><br>No change in process for GF requests<br><br>Same limitation is applied to Highway Fund requests (except highway and bridge improvement accounts) | |
| Sec. A4 - A-5 | 2. Governor's requests to Legislature:<br>GF request may not exceed GF appropriation for previous fiscal year by more than a growth factor equal to one plus the 10 year average real personal income growth rate plus the average forecasted inflation rate | 2. Governor's requests to Legislature:<br><br>Governor's request limitation is repealed and replaced with appropriation limitation. | |
| Sec. A-5<br>§1534 | | 3. Limitation on GF appropriations:<br>Limits increase in annual GF appropriations by a growth factor equal to one plus the 10 year average real personal income growth rate plus the average forecasted inflation rate | |
| Sec. A-5<br>§1534 | 4. Adjustments to limitation:<br><br>None | 4. Adjustments to limitation: | |
| | 5. Exceptions to limitations:<br>Limit may be exceeded by additional costs or the lost federal revenue from the following exceptional circumstances:<br>1. Unfunded or underfunded new federal mandates<br>2. Citizens' initiatives or referenda that require additional state spending<br>3. court orders or decrees that require additional state spending<br>4. Significant increases in demand for existing state services that are not the result of legislative changes that | 5. Exceptions to limitations:<br>Limit may be exceeded by additional costs or the lost federal revenue from the following exceptional circumstances:<br>1. Unfunded or underfunded new federal mandates<br>2. Citizens' initiatives or referenda that require additional state spending<br>3. court orders or decrees that require additional state spending<br>4. Significant increases in demand for existing state services that are not the result of legislative changes that | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | increased eligibility or increased benefits<br>5. Additional exceptional circumstances designated by the Governor.<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | increased eligibility or increased benefits<br>5. Additional exceptional circumstances designated by the Legislature.<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | |
| Maine Budget Stabilization Fund<br>Sec. A-1 – A-4 | 1. Transfers to the MBSF Fund<br>Year-end GF unappropriated surplus<br>to MBSF 32%<br>to Retirement Allowance Fund 32%<br>to Working Capital Reserve 16%<br>State Contingent Acct up to $350,000<br>to Loan Insur Reserve (FAME) $1 Mil<br>Remaining GF balance Remains in GF | 1. Transfers to the Fund<br>Year-end GF excess GF revenue<br>to MBSF 32%<br>to Retirement Allowance Fund 32%<br>to Working Capital Reserve 16%<br>State Contingent Acct up to $350,000<br>to Loan Insur Reserve (FAME)<br>Remaining GF balance to MBSF | |
| | 2. Cap on Fund:<br><br>10% of GF revenues | 2. Cap on Fund:<br><br>12% of GF revenues | |
| p. 2, line 45 | 3. Expenditures from fund:<br>Require 2/3 vote of the Legislature upon recommendation by Governor and may only be spent for:<br>A. Prepayment of outstanding GF bonds or<br>B. Major construction.<br>C. Certain law enforcement officer death benefits | 3. Expenditures from fund:<br>Supermajority not required.<br>May be spent only to offset a GF revenue shortfall (the amount by which the GF appropriation limitation exceeds forecasted GF revenues and other available resources). | |
| Budget emergency:<br>p. 2, line 24 | 4. Curtailment.<br>If commissioner of DAFS finds that anticipated income and other resources are insufficient to meet authorized expenditures, Commissioner notifies Governor, President and Speaker and may temporarily curtail allotments equitably so that expenditures will not exceed available funds. | 4. Use of MBSF<br>Retains curtailment process<br><br>Provides that if Legislature has adjourned sine die and Commissioner of DAFS declares that GF resources are insufficient to meet GF appropriations the Governor may reduce the MBSF below 1% to bring budget back into balance | |
| Revenue Forecasting Committee<br>Sec. A-7 | | Requires RFC in December biennial report to calculate long-term economic growth rate limitation (average 10 year personal income growth plus average forecasted inflation). | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | | |
| | | 6. <u>Enforcement of limitation:</u><br>Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to legally bind the Legislature. | |

## GOVERNMENT SPENDING/TAX LIMITS
## MUNICIPAL AND PLANTATION LIMITS (Parts C and G)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Appropriation limit<br>Sec. C-1<br>§5721-A | None | 1. Statement of limit:<br>Appropriations that use revenues collected through the property tax may not exceed the "property tax levy limit."<br><br>The property tax levy limit equals the property tax levy limit for the previous year multiplied by one plus:<br>the income growth factor<br>plus<br>the property growth factor. | |
| p. 8, line 24<br><br>P. ;7, line 33 | | 2. Definition of factors:<br>When the state and local tax burden is in the top 1/3 of all states, the "income growth factor" is the "base growth factor." The "base growth factor" is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the "[income?] growth factor" is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years.<br><br>The "property growth factor" equals the increase in assessed value of property first subject to taxation in the prior year, etc divided by the total valuation of the municipality. | |
| p. 8, line 17<br><br>p. 9, line 1 | | 3. Adjustments to limitation:<br>A. Municipality may request adjustment from State Tax Assessor if prior year's tax commitment reflects "extraordinary, nonrecurring events" (undefined).<br><br>B. Municipality must lower its property tax levy limit by amount of net new state funding other than mandates funding) | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | "Net new funding means:<br>the amount received from state for services funded by property taxes<br>less<br>the amount received in the prior year multiplied by one plus:<br>the income growth factor<br>plus<br>property growth factor | |
| p. 9, line 35<br><br><br><br><br>p. 10 , line 1 | | 4. <u>Exceptions to limitation:</u><br>1. By vote of legislative body the property tax levy limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the legislative body such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. Municipality may raise its property tax levy limit by vote at regular or special municipal election called by legislative body. | |
| p. 10, line 29 | | 5. <u>Enforcement of limitation:</u><br>If municipality exceeds limit, the State Tax Assessor may require the municipality to adjust its appropriation downward and impose other penalties provided by the Legislature. | |

# GOVERNMENT SPENDING/TAX LIMITS
# COUNTY LIMITS (Part E)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Appropriation limit<br><br>§E-1<br><br>p. 58, line 27 | None | 1. Statement of limit:<br>Appropriations that are funded by and assessment on municipalities may not exceed the "assessment limit."<br><br>The assessment limit equals the assessment limit for the previous year multiplied by one plus:<br>the income growth factor<br>plus<br>the property growth factor. | |
| p. 59, line 16<br><br>p. 58, line 28 | | 2. Definition of factors:<br>When the state and local tax burden is in the top 1/3 of all states, the "income growth factor" is the "base growth factor." The "base growth factor" is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the "[income?] growth factor" is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years.<br><br>The "property growth factor" equals the total increase in assessed value of property first subject to taxation in the prior year for each municipality in the county, etc divided by the total valuation of the municipalities in the county. | |
| p. 59, line 10<br><br>p. 59, line 43 | | 3. Adjustments to limitation:<br>A. County may request adjustment from State Tax Assessor if prior year's tax commitment reflects "extraordinary, nonrecurring events" (undefined).<br><br>B. County must lower its assessment limit by amount of net new state funding other than mandates funding) | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | "Net new funding means:<br>the amount received from state for services funded by the assessment<br>less<br>the amount received in the prior year multiplied by one plus:<br>the income growth factor<br>plus<br>property growth factor | |
| p. 60, line 13<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>p. 60, line 28 | | 4. <u>Exceptions to limitation:</u><br>By vote of county governing body, the assessment limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the county commissioners such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. County may raise its assessment limit by vote on written referendum at regular or special election called by majority of county commissioners. | |
| p. 61, line 1 | | 5. <u>Enforcement of limitation:</u><br>If county exceeds limit, the State Tax Assessor may require the county to adjust its appropriation downward and impose other penalties provided by the Legislature. | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM
jsj 12/9/04

## BUSINESS EQUIPMENT TAX REIMBURSEMENT COST ACCOUNTING (Part F)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| BETR benefits | 1. Benefits provided:<br>State reimburses qualified businesses for property taxes paid on eligible business personal property. | No change | |
| Application timing | 2. Application timing:<br>Applicants apply for reimbursement 8/1 to 12/31 for taxes paid in previous calendar year. | No change | |
| Funding Mechanism<br><br>Sec. F-5 | 3. Accounting of costs of program:<br>Funds for reimbursement are provided through a GF appropriation. | 3. Accounting of costs of program:<br>A. State Tax Assessor identifies amount needed to pay benefits<br>B. State Controller transfers that amount from undedicated revenue in the individual income tax category to a Business Equipment Tax Reimbursement Reserve account<br>C. Benefits are paid by the State Tax Assessor out of reserve account. | |
| Net fiscal impact<br><br>Sec. F-6 | FY 04 (actual) $65,080,850<br>Projected cost<br>FY 05 $63,757,028<br>FY 06 $78,132,345<br>FY 07 $82,896,495<br>FY 08 $87,482,721<br>FY 09 $91,888,310 | 1. GF deappropriations*<br>FY 06 ($78,132,345)GF deapprop*<br>FY 07 ($82,896,495)GF deapprop<br><br>2. Shift from GF appropriation to income tax revenue deduction results in the following loss of revenue to the GF and Local Government Fund (municipal revenue sharing):<br><br>GF LGF<br>FY 06 $74,069,463 $4,062,882<br>FY 07 $78,585,877 $4,310,618<br><br>* Note: No funds have yet been appropriated for the 06-07 biennium. Therefore, it is not possible to deappropriate funds at this time. | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/10/04

## FUND FOR EFFICIENT DELIVERY OF LOCAL AND REGIONAL SERVICES (Sec. H-3, p. 68)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Fund established | 1. Fund is established by MMA initiated bill.* | No change | |
| Funding | 2. Fund is funded by transfer of 2% of state municipal revenue sharing funds | No change | |
| Purpose | 3. Fund is to be distributed to municipalities that demonstrate savings through efficiencies and regionalization. | No change | |
| Development of process for distribution | 4. Initiated bill directs the JSC on State and Local Government to report out legislation by 3/1/04 (not a typo – second round voting delayed the original intended effective date) to specify design, implementation and oversight of fund. | 4. LD 1 provides that DAFS shall administer the Fund and provide competitive and planning grants to municipalities that demonstrate savings through efficiencies and regionalization. | |

* The MMA initiative becomes operative January 16, 2005.

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/9/04

## LD 2: CONSTITUTIONAL AMENDMENT TO PROVIDE LOCAL OPTION TO LIMIT GROWTH IN PROPERTY TAXES ON HOMESTEAD LAND

| | Current law | LD 2<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Constitutional standard: | Article IX, Section 8 of the Maine Constitution requires that all taxes on real and personal property be assessed "...equally according to the just value thereof." "Just value" has been defined by the courts to mean fair market value.<br><br>The Maine Supreme Judicial Court has held that the Constitution prohibits the Legislature from authorizing local option variations from the standards of equality and just value. | Amends the Maine Constitution to permit municipalities to limit the rate of growth in the value of homestead land. | |
| Property that qualifies for limit | | 1. Growth limit applies to homestead land only<br>A. Homestead land must be:<br>i. Exclusively and continuously owned by one or more residents; and<br>ii. the principal residence of each owner<br>B. A qualifying parcel may not be larger than necessary to support a personal residence. Legislature may further limit or define. | |
| Taxable value growth limitation | | 2. Municipality may limit the change in taxable value of homestead land to the rate of change in purchasing power of US currency as measured by an index adopted by the Legislature. | |
| Exceptions to limitation | | 3. The limitation does not apply to changes in value due to<br>A. Physical alterations to the land; or<br>B. Changes in value due to changes in law affecting use of the land. | |
| Change of ownership or use | | 4. The value of the land must be restored to just value upon change of ownership or use. | |
| Other impacts | | 5. The valuation growth limitation does not affect the determination of equalized just value (state valuation) for any other purpose (GPA, county tax, revenue sharing etc.) | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/10/04

## LONG-TERM STATE AND LOCAL TAX BURDEN REDUCTION (Part H)

| | Current law | LD 2<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Tax burden reduction<br><br>§H-1<br>p. 66, line 22 | Many different organizations tabulate rankings of state and local tax burden. Various methods of calculation are used.<br><br>The most commonly used tax burden standard is calculated by the Federation of Tax Administrators using U. S. Census data.<br>According to this calculation, Maine's state and local tax burden, as a percentage of personal income, ranked 2nd among all the States in 2002, the most recent year for which figures are available. | Establishes goal of reducing Maine's state and local tax burden to national average by 2015. | |
| Oversight and reporting<br><br>p. 66, line 44 | The Bureau of Revenue Services is required to present a report to the JSC on Taxation and the JSC on Appropriations and Financial Affairs by October 1st of even numbered years identifying the incidence of state, local and county taxes and the distribution of the tax burden by income and other characteristics. The report must also describe the impact of the tax system on businesses. | Requires Governor, in consultation with the Legislature, to establish an independent commission to assess and report on the progress of the State municipalities, counties and SAUs in achieving the 2015 goal.<br><br>Commission must develop specific, quantifiable performance indicators and, beginning 1/15/06 report annual to the JSC on Taxation on process. | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/9/04

## STATE DIRECT TO HOMEOWNER PROPERTY TAX RELIEF: (CIRCUIT BREAKER, HOMESTEAD EXEMPTION, PROPERTY TAX DEFERRAL)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Property tax rebates/circuit-breaker<br><br>Sec. F-3 | 1. Income eligibility<br>Circuit breaker program provides property tax rebate for households with income below established standard (2004):<br>$30,300 Single member households<br>$46,900 Multiple member households | 1. Income eligibility<br>Raises household income eligibility levels for program beginning August 1, 2005.<br>$50,000 Single member households<br>$75,000 Multiple member households | |
| | 2. Benefit equal to :<br>50% of amount by which property tax exceeds 4% to 8% of income<br>plus<br>100% of amount by which property tax exceeds 8% of income. | 2. Benefit equal to:<br><br>No change | |
| Sec. F-3 | 3. Maximum benefit:<br><br>$1,000 | 3. Maximum benefit:<br>A. Beginning 8/15/07, State Tax Assessor shall determine the amount by which the maximum benefit can be increased based on the amount in the circuit breaker reserve.<br>B. State Tax Assessor must study and report on ways to increase the maximum benefit with a goal of increasing the maximum benefit to $2,000 for the 2009 program and $3,000 in the 2011 program. | |
| Sec. F-2 | 4. Accounting of costs of program:<br>A. State Tax Assessor identifies amount needed to pay benefits<br>B. State Controller transfers that amount from undedicated revenue in the individual income tax category to a "circuit breaker" reserve account<br>C. Benefits are paid monthly out of reserve account. | 4. Accounting of costs of program:<br>A. In FYs 07, 08, and 09, in addition to transfers required by current law, the State Controller must ensure that the transfer to the circuit breaker reserve is at least the amount identified as necessary by the 12/1/04 report of the Revenue Forecasting Committee as adjusted by the State Tax Assessor for statutory changes.<br>B. Beginning in FY 10 and ending with year in which state share of EPS reaches 55%, State Controller must ensure that the transfer to the circuit breaker | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | reserve is at least the amount identified as necessary by 6/15 annually by the Revenue Forecasting Committee. In making this calculation, the RFC must use property tax growth projections based on historical growth without projecting decreases based on changes in EPS cost sharing.<br>C. Amounts in circuit breaker reserve carry forward. | |
| Homestead exemption | 1. Amount of exemption depends on value of homestead:<br><br>Homestead Value — Exemption Amount<br>Under $125,000 — $7,000<br>$125,000 to $250,000 — $5,000<br>$250,000 and up — $2,500 | No change | |
| Sec. F-1 | 2. Accounting of costs of program:<br>Costs of the program are covered by a GF appropriation to reimburse municipalities for property tax revenues lost as a result of the homestead exemption. | 2. Accounting of costs<br>A. Until the state share of EPS reaches 55%, the Legislature must appropriate at least $36,000,000 for homestead reimbursement<br>B. Amounts not appropriated for reimbursement are transferred to the circuit breaker reserve at the close of each FY | |
| Property tax deferral<br><br>Sec. F-8 | No state program<br>Reverse mortgages available in the private sector. | 1. Mechanism:<br>Maine State Housing Authority is required to develop a plan to issue bonds to be used to establish a property tax deferral program.<br><br>2. Components of program:<br>A. Property taxes in excess of 6% of income could be deferred<br>B. Amounts deferred must be repaid with interest when property is transferred.<br>C. MSHA required to study administrative issue including coordination with the circuit breaker program and submit implementing legislation to Joint Standing Committee on Taxation by 3/1/05. | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | | |
| Future expansion of circuit breaker program<br><br>Sec. F-7 | | 1. <u>Study</u><br>The State Tax Assessor must study the circuit breaker program and report to the Joint Standing Committee on Taxation by 1/2/06. The study must:<br>A. Examine how the maximum benefit may be increased to $2,000 by 2009 and $3,000 by 2011<br>B. Study the potential benefits of making the circuit breaker program part of the individual income tax. | |
| Net fiscal impact | Circuit breaker costs<br>FY 04 (actual) $24,164,926<br>Projected<br>FY 05 $24,742,857*<br>FY 06 $27,216,152<br>FY 07 $28,702,423<br>FY 08 $29,419,983<br>FY 09 $30,155,483<br><br>* FY 05 transfer to reserve is currently limited by law to $24,742,857. An additional $903,000 is needed to pay actual claims. | TBD | |

# STAFF SIDE-BY-SIDES
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## JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/15/04

### STATE DIRECT TO HOMEOWNER PROPERTY TAX RELIEF: (CIRCUIT BREAKER, HOMESTEAD EXEMPTION, PROPERTY TAX DEFERRAL)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Property tax rebates/circuit-breaker<br><br>Sec. F-3<br>p. 63<br>line 4 | 1. Income eligibility<br>Circuit breaker program provides property tax rebate for households with income below established standard (2004):<br>$30,300 Single member households<br>$46,900 Multiple member households<br><br>Amounts are indexed annually using CPI. | 1. Income eligibility<br>Raises household income eligibility levels for program beginning August 1, 2005.<br>$50,000 Single member households<br>$75,000 Multiple member households | |
| | 2. Benefit equal to :<br>50% of amount by which property tax exceeds 4% to 8% of income<br>plus<br>100% of amount by which property tax exceeds 8% of income.<br><br>For renters' benefit, 18% of rent is considered equivalent of PT | 2. Benefit equal to:<br><br>No change | |
| Sec. F-3<br>p 62<br>line 45 | 3. Maximum benefit:<br><br>$1,000 | 3. Maximum benefit:<br>A. Beginning 8/15/07, State Tax Assessor shall determine the amount by which the maximum benefit can be increased based on the amount in the circuit breaker reserve.<br>B. State Tax Assessor must study and report on ways to increase the maximum benefit with a goal of increasing the maximum benefit to $2,000 for the 2009 program and $3,000 in the 2011 program. | |
| Sec. F-2<br>p 61<br>line 46 | 4. Accounting of costs of program (beginning FY 05):<br>A. State Tax Assessor identifies amount needed to pay benefits<br>B. State Controller transfers that amount from undedicated revenue in the individual income tax category to a "circuit breaker" reserve account<br>C. Benefits are paid monthly out of reserve account. | 4. Accounting of costs of program:<br>A. In FYs 07, 08, and 09, in addition to transfers required by current law, the State Controller must ensure that the transfer to the circuit breaker reserve is at least the amount identified as necessary by the 12/1/04 report of the Revenue Forecasting Committee as adjusted by the State Tax Assessor for statutory changes (amounts | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | identified on page 3).<br>B. Beginning in FY 10 and ending with year in which state share of EPS reaches 55%, State Controller must ensure that the transfer to the circuit breaker reserve is at least the amount identified as necessary by 6/15 annually by the Revenue Forecasting Committee. In making this calculation, the RFC must use property tax growth projections based on historical growth without projecting decreases based on changes in EPS cost sharing.<br>C. Amounts in circuit breaker reserve carry forward. | |
| Homestead exemption | 1. Amount of exemption depends on value of homestead:<br><br>Homestead Value — Exemption Amount<br>Under $125,000 — $7,000<br>$125,000 to $250,000 — $5,000<br>$250,000 and up — $2,500<br><br>FY 05 appropriation $34,931,664 | No change | |
| Sec. F-1<br><br>p. 61<br>line 10 | 2. Accounting of costs of program:<br>Costs of the program are covered by a GF appropriation to reimburse municipalities for property tax revenues lost as a result of the homestead exemption. | 2. Accounting of costs<br>A. Until the state share of EPS reaches 55%, the Legislature must appropriate at least $36,000,000 for homestead reimbursement<br>B. Amounts not appropriated for reimbursement are transferred to the circuit breaker reserve at the close of each FY | |
| Property tax deferral<br><br>Sec. F-8<br><br>p. 64<br>line 44 | No state program<br>Reverse mortgages available in the private sector. | 1. Mechanism:<br>Maine State Housing Authority is required to develop a plan to issue bonds to be used to establish a property tax deferral program.<br><br>2. Components of program:<br>A. Property taxes in excess of 6% of income could be deferred<br>B. Amounts deferred must be repaid with interest | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | when property is transferred.<br>C. MSHA required to study administrative issues including coordination with the circuit breaker program and submit implementing legislation to Joint Standing Committee on Taxation by 3/1/05. | |
| Future expansion of circuit breaker program<br><br>Sec. F-7<br>p 64<br>line 30 | | 1. Study<br>The State Tax Assessor must study the circuit breaker program and report to the Joint Standing Committee on Taxation by 1/2/06. The study must:<br>A. Examine how the maximum benefit may be increased to $2,000 by 2009 and $3,000 by 2011<br>B. Study the potential benefits of making the circuit breaker program part of the individual income tax. | |
| Net fiscal impact | Circuit breaker costs<br>FY 04 (actual) $24,164,926<br>Projected<br>FY 05 $24,742,857*<br>FY 06 $27,216,152<br>FY 07 $28,702,423<br>FY 08 $29,419,983<br>FY 09 $30,155,483<br><br>* FY 05 transfer to reserve is currently limited by law to $24,742,857. An additional $903,000 is needed to pay actual claims. | TBD | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/15/04

## BUSINESS EQUIPMENT TAX REIMBURSEMENT COST ACCOUNTING (Part F)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| BETR benefits | 1. Benefits provided:<br>State reimburses qualified businesses for property taxes paid on eligible business personal property. | No change | |
| Application timing | 2. Application timing:<br>Applicants apply for reimbursement 8/1 to 12/31 for taxes paid in previous calendar year. | No change | |
| Funding Mechanism<br><br>Sec. F-5<br><br>p 63<br>line 43 | 3. Accounting of costs of program:<br>Funds for reimbursement are provided through a GF appropriation. | 3. Accounting of costs of program:<br>A. State Tax Assessor identifies amount needed to pay benefits<br>B. State Controller transfers that amount from undedicated revenue in the individual income tax category to a Business Equipment Tax Reimbursement Reserve account<br>C. Benefits are paid by the State Tax Assessor out of reserve account. | |
| Net fiscal impact<br><br>Sec. F-6<br><br>p. 64<br>line 4 | FY 04 (actual) $65,080,850<br>Projected cost<br>FY 05 $63,757,028<br>FY 06 $78,132,345<br>FY 07 $82,896,495<br>FY 08 $87,482,721<br>FY 09 $91,888,310 | 1. GF deappropriations*<br>FY 06 ($78,132,345)GF deapprop*<br>FY 07 ($82,896,495)GF deapprop<br><br>2. Shift from GF appropriation to income tax revenue deduction results in the following loss of revenue to the GF and Local Government Fund (municipal revenue sharing):<br><br>GF LGF<br>FY 06 $74,069,463 $4,062,882<br>FY 07 $78,585,877 $4,310,618<br><br>* Note: No funds have yet been appropriated for the 06-07 biennium. Therefore, it is not possible to deappropriate funds at this time. | |

## JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM
jsj 12/17/04

## GOVERNMENT SPENDING/TAX LIMITS
## STATE LIMITS (Part – A)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| State budget process limits<br>Sec. A-6<br>p 5<br>line 37 | 1. Agency budget requests :<br>Departments submit to SBO requirements for ensuing biennium for current services authorized by law. GF appropriation requests may not exceed the GF appropriation for previous fiscal year plus average real personal income growth rate (10 prior calendar years average growth (BEA) less CPI) | 1. Agency budget requests :<br>No change in process for GF requests<br>Same limitation is applied to Highway Fund requests (except highway and bridge improvement accounts) | |
| Sec. A4 - A-5<br>p. 5<br>line 2 | 2. Governor's requests to Legislature:<br>GF request may not exceed GF appropriation for previous fiscal year by more than a growth factor equal to one plus the 10 year average real personal income growth rate plus the average forecasted inflation rate | 2. Governor's requests to Legislature:<br>Governor's request limitation is repealed and replaced with appropriation limitation. | |
| Sec. A-5<br>§1534<br>p3<br>line 36 | | 3. Limitation on GF appropriations:<br>Limits increase in annual GF appropriations by a growth factor equal to one plus the 10 year average real personal income growth rate plus the average forecasted inflation rate (FY 06-07 = 4.58%) | |
| Sec. A-5<br>§1534 | 4. Adjustments to limitation:<br>None | 4. Adjustments to limitation: | |
| | 5. Exceptions to limitations:<br>Limit may be exceeded by additional costs or the lost federal revenue from the following exceptional circumstances:<br>1. Unfunded or underfunded new federal mandates<br>2. Citizens' initiatives or referenda that require additional state spending<br>3. court orders or decrees that require additional state spending<br>4. Significant increases in demand for existing state | 5. Exceptions to limitations:<br>Limit may be exceeded by additional costs or the lost federal revenue from the following exceptional circumstances:<br>1. Unfunded or underfunded new federal mandates<br>2. Citizens' initiatives or referenda that require additional state spending<br>3. court orders or decrees that require additional state spending<br>4. Significant increases in demand for existing state | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | services that are not the result of legislative changes that increased eligibility or increased benefits<br>5. Additional exceptional circumstances designated by the Governor.<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | services that are not the result of legislative changes that increased eligibility or increased benefits<br>5. Additional exceptional circumstances designated by the Legislature.<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | |
| Maine Budget Stabilization Fund<br>Sec. A-1 – A-4<br>p 1 | 1. Transfers to the MBSF Fund<br>Year-end GF unappropriated surplus<br>to MBSF 32%<br>to Retirement Allowance Fund 32%<br>to Working Capital Reserve 16%<br>State Contingent Acct up to $350,000<br>to Loan Insur Reserve (FAME) $1 Mil<br>Remaining GF balance Remains in GF | 1. Transfers to the Fund<br>Year-end GF excess GF revenue<br>to MBSF 32%<br>to Retirement Allowance Fund 32%<br>to Working Capital Reserve 16%<br>State Contingent Acct up to $350,000<br>to Loan Insur Reserve (FAME) 0*<br>Remaining GF balance to MBSF<br><br>Elimination of transfer to Loan Insurance Reserve is an oversight that will require a technical amendment to restore. | |
| | 2. Cap on Fund:<br><br>10% of GF revenues | 2. Cap on Fund:<br><br>12% of GF revenues | |
| p. 2, line 45 | 3. Expenditures from fund:<br>Require 2/3 vote of the Legislature upon recommendation by Governor and may only be spent for:<br>A. Prepayment of outstanding GF bonds or<br>B. Major construction.<br>C. Certain law enforcement officer death benefits | 3. Expenditures from fund:<br>Supermajority not required.<br>May be spent only to offset a GF revenue shortfall (the amount by which the GF appropriation limitation exceeds forecasted GF revenues and other available resources). | |
| Budget emergency:<br>p. 2, line 24 | 4. Curtailment.<br>If commissioner of DAFS finds that anticipated income and other resources are insufficient to meet authorized expenditures, Commissioner notifies Governor, President and Speaker and may temporarily curtail allotments equitably so that expenditures will not exceed available funds. | 4. Use of MBSF<br>Retains curtailment process<br><br>Provides that if Legislature has adjourned sine die and Commissioner of DAFS declares that GF resources are insufficient to meet GF appropriations the Governor may reduce the MBSF below 1% to bring budget back into balance | |
| Revenue | | Requires RFC in December biennial report to calculate | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Forecasting Committee<br>Sec. A-7<br>pg 5 line 46 | | long-term economic growth rate limitation (average 10 year personal income growth plus average forecasted inflation). | |
| | | 6. Enforcement of limitation:<br>Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to legally bind the Legislature. | |

## GOVERNMENT SPENDING/TAX LIMITS
## MUNICIPAL AND PLANTATION LIMITS (Parts C and G)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Appropriation limit<br>Sec. C-1<br>§5721-A<br><br>p 7<br>line 17 | None | 1. Statement of limit:<br>Appropriations that use revenues collected through the property tax may not exceed the "property tax levy limit."<br><br>The property tax levy limit equals the property tax levy limit for the previous year multiplied by one plus:<br>the income growth factor<br>plus<br>the property growth factor. | |
| p. 8, line 24<br><br><br><br><br><br><br><br><br>P. ;7, line 33 | | 2. Definition of factors:<br>When the state and local tax burden is in the top 1/3 of all states, the "income growth factor" is the "base growth factor." The "base growth factor" is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the "[income?] growth factor" is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years.<br><br>The "property growth factor" equals the increase in assessed value of property first subject to taxation in the prior year, etc divided by the total valuation of the municipality. | |
| p. 8, line 17<br><br><br><br>p. 9, line 1 | | 3. Adjustments to limitation:<br>A. Municipality may request adjustment from State Tax Assessor if prior year's tax commitment reflects "extraordinary, nonrecurring events" (undefined).<br><br>B. Municipality must lower its property tax levy limit by amount of net new state funding other than mandates funding) | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | "Net new funding means:<br>the amount received from state for services funded by property taxes<br>less<br>the amount received in the prior year multiplied by one plus:<br>the income growth factor<br>plus<br>property growth factor | |
| p. 9, line 35<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>p. 10, line 1 | | 4. <u>Exceptions to limitation:</u><br>1. By vote of legislative body the property tax levy limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the legislative body such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. Municipality may raise its property tax levy limit by vote at regular or special municipal election called by legislative body. | |
| p. 10, line 29 | | 5. <u>Enforcement of limitation:</u><br>If municipality exceeds limit, the State Tax Assessor may require the municipality to adjust its appropriation downward and impose other penalties provided by the Legislature. | |

BILL DOES NOT PROPOSE ANY LIMITATION ON SPENDING/PROPERTY TAXES FOR "MUNICIPAL" SERVICES IN THE UNORGANIZED TERRITORY.

## GOVERNMENT SPENDING/TAX LIMITS
## COUNTY LIMITS (Part E)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Appropriation limit<br><br>§E-1<br><br>p. 58, line 17 | None | 1. Statement of limit:<br>Appropriations that are funded by and assessment on municipalities may not exceed the "assessment limit."<br><br>The assessment limit equals the assessment limit for the previous year multiplied by one plus:<br>the income growth factor<br>plus<br>the property growth factor. | |
| p. 59, line 16<br><br>p. 58, line 28 | | 2. Definition of factors:<br>When the state and local tax burden is in the top 1/3 of all states, the "income growth factor" is the "base growth factor." The "base growth factor" is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the "[income?] growth factor" is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years.<br><br>The "property growth factor" equals the total increase in assessed value of property first subject to taxation in the prior year for each municipality in the county, etc divided by the total valuation of the municipalities in the county. | |
| p. 59, line 10<br><br>p. 59, line 43 | | 3. Adjustments to limitation:<br>A. County may request adjustment from State Tax Assessor if prior year's tax commitment reflects "extraordinary, nonrecurring events" (undefined).<br><br>B. County must lower its assessment limit by amount of net new state funding other than mandates funding) | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | "Net new funding means:<br>the amount received from state for services funded by the assessment<br>less<br>the amount received in the prior year multiplied by one plus:<br>the income growth factor<br>plus<br>property growth factor | |
| p. 60, line 13<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>p. 60, line 28 | | 4. Exceptions to limitation:<br>By vote of county governing body, the assessment limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the county commissioners such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. County may raise its assessment limit by vote on written referendum at regular or special election called by majority of county commissioners. | |
| p. 61, line 1 | | 5. Enforcement of limitation:<br>If county exceeds limit, the State Tax Assessor may require the county to adjust its appropriation downward and impose other penalties provided by the Legislature. | |

## Comparison of budget limitations

in LD 1, An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.

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| | State | Municipalities and Plantations | Counties | Schools | |
|---|---|---|---|---|---|
| | | | | Limit on Total EPS cost | Limit on SAUs |
| Base to which the limit applies | Limit is on General Fund appropriation for each fiscal year of the current biennium and the next fiscal biennium. | Limit is on annual appropriations that use revenues collected through the property tax. | Limit is on annual appropriations funded by an assessment on municipalities. | Limit is on total state and local cost of components of essential programs and services (EPS). | Limit is on sum of SAU's contribution to EPS, state's contribution to EPS for the unit and additional local spending.. |
| Statement of limit | Limit is on General Fund appropriation for each fiscal year of the current biennium and the next fiscal biennium. | Appropriations may not exceed "property tax levy limit (PTLL)." | Appropriations may not exceed the "assessment limit (AL)." | Total cost of components of EPS may not exceed prior years costs multiplied by one plus a personal income growth factor | Total SAU spending limit may not exceed "targeted state and local spending." |
| Calculation of limit | GF appropriation may not exceed the adjusted GF appropriation for the prior fiscal year multiplied by one plus the "long-term growth rate limitation" which is determined by the Revenue Forecasting Committee and is a percentage rate equal to:<br><br>the "measure of economic growth"<br><br>plus<br>the "average forecasted inflation rate" | PTLL equals the PTLL for the prior year multiplied by one plus:<br><br>the income growth factor<br><br>plus<br><br>the property growth factor. | AL equals the AL for the prior year multiplied by one plus:<br><br>the income growth factor<br><br>plus<br><br>property growth factor | Total cost of components of EPS may not exceed prior years costs multiplied by one plus a personal income growth factor | "Targeted state and local spending" equals the following:<br><br><u>FYs 06, 07 and 08</u><br>"Targeted state and local spending" equals:<br>State and local spending, excluding local only debt, in the previous FY increased by 3-year average CPI<br>plus<br>25% of the difference between that result and 100% of the cost of EPS for the FY<br><br><u>FY 09 and after</u><br>"Targeted state and local spending" equals:<br>100% of the cost of EPS |

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| | State | Municipalities and Plantations | Counties | Schools | |
|---|---|---|---|---|---|
| | | | | Limit on Total EPS cost | Limit on SAUs |
| Definitions of factors: | The "measure of economic growth" means "average real personal income growth rate" defined in §1665.1.<br><br>"Average forecasted inflation rate" means the average forecasted change in CPI underlying the revenue projections of the Revenue Forecasting Committee for the "5 future calendar years in the economic forecast." | When the state and local tax burden is in the top 1/3 of all states, the "income growth factor" is the "base growth factor." The "base growth factor" is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the "[income?] growth factor" is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years.<br><br>The "property growth factor" equals the increase in assessed value of property first subject to taxation in the prior year, etc divided by the total valuation of the municipality. | "Income growth factor" is the same as under municipal limitation.<br><br>The "property growth factor" equals the total increase in assessed value of property first subject to taxation in the prior year for each municipality in the county, etc divided by the total valuation of the municipalities in the county. | When the state and local tax burden is in the top 1/3 of all states, the personal income growth factor is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the personal income growth factor, is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years. | |
| | "Average real personal income growth rate" means the average for the prior 10 years of the % change in personal income in this State less the percent change in the CPI." | same as State | Same as State | Same as state | |
| Adjustments to limitation: | | 1. Municipality may request adjustment from State Tax Assessor if prior year's tax commitment reflects "extraordinary, nonrecurring events" (undefined).<br><br>2. Municipality must lower its property tax levy limit by amount of net new state funding other than mandates funding)<br>"Net new funding means: | 1. County may request adjustment from State Tax Assessor if prior year's assessment reflects "extraordinary, nonrecurring events" (undefined).<br><br>2. County must lower its assessment by amount of net new state funding other than mandates funding)<br>"Net new funding means: | | |

| | State | Municipalities and Plantations | Counties | Schools | |
|---|---|---|---|---|---|
| | | | | Limit on Total EPS cost | Limit on SAUs |
| | | the amount received from state for services funded by property taxes<br>less<br>the amount received in the prior year multiplied by one plus:<br>the income growth factor<br>plus<br>property growth factor | the amount received from state for services funded by assessment<br>less<br>the amount received in the prior year multiplied by one plus:<br>the income growth factor<br>plus<br>property growth factor | | |
| Exceptions to limitation: | Limit may be exceeded by additional costs or the lost federal revenue from the following exceptional circumstances:<br>1. Unfunded or underfunded new federal mandates<br>2. Citizens' initiatives or referenda that require additional state spending<br>3. court orders or decrees that require additional state spending<br>4. Significant increases in demand for existing state services that are not the result of legislative changes that increased eligibility or increased benefits<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | 1. By vote of legislative body the property tax levy limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event. "Extraordinary events" include:<br>A. A catastrophic event outside the control of the legislative body such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. Municipality may raise its property tax levy limit by vote at regular or special municipal election called by legislative body. | 1. By vote of county governing body, the assessment limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event. "Extraordinary events" include:<br>A. A catastrophic event outside the control of the county commissioners such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. County may raise its assessment limit by vote on written referendum at regular or special election called by majority of county commissioners. | Legislature may exceed limitation on total state and local EPS costs by majority vote in legislation stating that it is intent to override the limitation. | SAU may exceed the limit by referendum vote in a separate article and by secret ballot. |
| Enforcement of limitation: | Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to bind the Legislature. | If municipality exceeds limit, the State Tax Assessor may require the municipality to adjust its appropriation downward and impose other penalties provided by the Legislature. | If county exceeds limit, the State Tax Assessor may require the municipality to adjust its appropriation downward and impose other penalties provided by the Legislature. | Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to bind the Legislature. | ??? |

## JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/17/04

### LONG-TERM STATE AND LOCAL TAX BURDEN REDUCTION (Part H)

| | Current law | LD 2<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Tax burden reduction<br><br>§H-1<br>p. 66, line 22<br><br><br><br><br><br>§C-1<br>p. 8, line39 | Many different organizations tabulate rankings of state and local tax burden. Various methods of calculation are used.<br><br>The most commonly used tax burden standard is calculated by the Federation of Tax Administrators using U. S. Census data.<br>According to this calculation, Maine's state and local tax burden, as a percentage of personal income, ranked 2nd among all the States in 2002, the most recent year for which figures are available. | Establishes goal of reducing Maine's state and local tax burden to national average by 2015 using U.S> Census analysis adjusted by the State Tax Assessor to reflect Maine's unique expenditure tax relief programs.<br><br><br><br><br><br>In municipal and county tax limitations, for puposes of determining whether the State is in the top or middle 1/3 of states tax burden, the State Tax Assessor calculates based on U.S. Census data. | |
| Oversight and reporting<br><br>p. 66, line 44 | The Bureau of Revenue Services is required to present a report to the JSC on Taxation and the JSC on Appropriations and Financial Affairs by October 1st of even numbered years identifying the incidence of state, local and county taxes and the distribution of the tax burden by income and other characteristics. The report must also describe the impact of the tax system on businesses. | Requires Governor, in consultation with the Legislature, is directed to establish an independent commission to assess and report on the progress of the State, municipalities, counties and SAUs in achieving the 2015 goal.<br><br>Commission must develop specific, quantifiable performance indicators and, beginning 1/15/06 report annually to the JSC on Taxation on progress in achieving the goal. | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/17/04

## FUND FOR EFFICIENT DELIVERY OF LOCAL AND REGIONAL SERVICES (Sec. H-3, p. 68)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Fund established | 1. Fund is established by MMA initiated bill.* | No change | |
| Funding | 2. Fund is funded by a transfer of 2% of state-municipal revenue sharing funds | No change | |
| Purpose | 3. Fund is to be distributed to municipalities that demonstrate savings through efficiencies and regionalization. | No change | |
| Development of process for distribution | 4. Initiated bill directs the JSC on State and Local Government to report out legislation by 3/1/04 (not a typo – second round voting delayed the original intended effective date) to specify design, implementation and oversight of fund. | 4. LD 1, in unallocated language, provides that DAFS shall administer the Fund and provide competitive grants and planning grants to municipalities that demonstrate savings through efficiencies and regionalization based on criteria adopted by DAFS in 2004 for distribution of $1 million set aside from state-municipal revenue sharing in July 2004. | |

* The MMA initiative becomes operative 45 days after December 1, 2004.

## JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/15/04

### LD 2: CONSTITUTIONAL AMENDMENT TO PROVIDE LOCAL OPTION TO LIMIT GROWTH IN PROPERTY TAXES ON HOMESTEAD LAND

| | Current law | LD 2<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Constitutional standard: | Article IX, Section 8 of the Maine Constitution requires, with some exceptions, that all taxes on real and personal property be assessed "...equally according to the just value thereof." "Just value" has been defined by the courts to mean fair market value.<br><br>The Maine Supreme Judicial Court has held that the Constitution prohibits the Legislature from authorizing local option variations from the standards of equality and just value.<br><br>Maine Constitution permits the Legislature to permit the following categories of land to be taxed at "current use:"<br>A. Farms and agricultural lands, timberlands and woodlands;<br>B. Open space lands which are used for recreation or the enjoyment of scenic natural beauty; and<br>C. Lands used for game management or wildlife sanctuaries.<br>A penalty is required when land is removed from "current use" valuation. | Amends the Maine Constitution to permit municipalities to limit the rate of growth in the value of homestead land. | |
| Property that qualifies for limit | | 1. Growth limit applies to homestead land only<br>A. Homestead land must be:<br>i. Exclusively and continuously owned by one or more residents; and<br>ii. the principal residence of each owner<br>B. A qualifying parcel may not be larger than necessary to support a personal residence. Legislature may further limit or define. | |
| Taxable value growth limitation | | 2. Municipality may limit the change in taxable value of homestead land to the rate of change in purchasing power of US currency as measured by an index adopted by the Legislature. | |
| Exceptions to | | 3. The limitation does not apply to changes in value due to | |

| | Current law | LD 2<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| limitation | | A. Physical alterations to the land; or<br>B. Changes in value due to changes in law affecting use of the land. | |
| Change of ownership or use | | 4. The value of the land must be restored to just value upon change of ownership or use. | |
| Other impacts | | 5. The valuation growth limitation does not affect the determination of equalized just value (state valuation) for any other purpose (GPA, county tax, revenue sharing etc.) | |

## CURRENT ESSENTIAL PROGRAMS & SERVICES (EPS) FUNDING ACT and CHANGES PROPOSED BY LD 1

| EPS FUNDING ACT[1] (Scheduled to Take Effect 7/1/05, pursuant to PL 2003, c. 712) | CHANGES PROPOSED IN LD 1 | ISSUES |
|---|---|---|
| **GENERAL**<br>• Under Title 20-A, chapter 606-B, the "educational cost components of EPS" are: (1) costs formerly referred to as "operating costs," such as salaries and benefits, equipment, facilities, professional development, supplies, etc; (2) program costs, including special education, transportation, vocational education, early childhood education and bus purchases; (3) debt service costs; and (4) miscellaneous adjustments, including the minimum allocation, state agency client costs, geographic isolation, special education tuition for out-of-district placement, etc.<br>• The "educational cost components of EPS" are the costs of educational resources identified in state law that enable all students to meet the learning results standards.<br>• The educational cost components of EPS are jointly funded by the state and local governments. Costs other than those included in the educational costs components of EPS are funded locally, without state contributions (e.g., costs of local-only debt). | **GENERAL**<br>• The "educational cost components of EPS," as described in LD 1, include the same elements as under current law, although the funding methodology is changed for some of the components (special education and transportation). | |
| **LIMITS ON THE LOCAL TAX RATE**<br>• School administrative units ("SAUs") that want to levy a property tax rate for education that is higher than the full-value education mill rate determined by the Commissioner must obtain approval from the SAU's legislative body, by vote on a separate article *(15671-A (3))*<br>• PL 2003, chapter 712 established benchmarks, but not legal requirements, for local tax rates to decline from year to year *(5 MRSA §1677, subsection 3)* | **LIMIT ON LOCAL SPENDING ON EDUCATION**<br>**LIMIT ON THE GROWTH OF EPS COSTS**<br>• Rather than limiting the local tax rate, LD 1 limits total spending by SAUs, unless the additional spending is approved by the SAU's legislative body, in a process described in the bill. Beginning in FY08-09, the limit (called the "target state and local spending") is 100% of EPS costs. Between FY05-06 and FY08-09, the target is the lesser of: (1) 100% of EPS; and (2) the prior fiscal year's spending (excluding local-only debt), plus a 3-year average CPI adjustment, plus 25% of the | |

[1] Current statutes require the EPS Funding Act to serve as the basis for K-12 school funding beginning in FY05-06 and to be in effect on July 1, 2005. "Placeholder" provisions for the EPS Funding Act were enacted by PL 2001, c. 660; and were refined during the 121st Legislature with the passage of PL 2003, c. 504 and PL 2003, c. 712. Chapter 712 also contains "transition" provisions, including the July 1, 2005 repeal of the "School Finance Act of 1995" and repeal of significant sections of the "School Finance Act of 1985" (in order that these provisions remained in place for FY04-05).

| CURRENT EPS ACT (As of 7/1/05, pursuant to PL 2003, c. 712) | CHANGES PROPOSED IN LD 1 | ISSUES |
|---|---|---|
| | difference between that result and 100% of EPS costs. *(Sec. D-36, p. 21-22)*<br><br>• LD 1 limits the rate of growth in the total cost of the components of EPS to the rate of growth in average real personal income. Until Maine is in the middle 1/3 of states in tax burden, the rate may not exceed 2.75%. The Legislature may vote to exceed these limitations. *(Sec. D-34, p. 18)* | |
| **EDUCATIONAL COST COMPONENTS**<br><br>A. EPS "Operating" Costs, and adjustments to the calculation of total operating costs:<br><br>1. (K-8 per pupil guarantee) x (pupil count, including added weights for Limited English Proficiency (LEP)and Economically Disadvantaged (ED) students)<br><br>2. PLUS (9-12 per pupil guarantee) x (pupil count, including added weights for LEP and ED students)<br><br>3. PLUS Targeted Assessment Amounts (amount to be determined by the Commissioner)<br><br>4. PLUS Targeted Technology Amounts (amount to be determined by the Commissioner)<br><br>5. PLUS Targeted K-2 Amounts (.10 x per pupil rate)<br><br>(NOTE: #1and #2 are general purpose funds; #3 to #5 have eligibility requirements and funds must be used for the specific "targeted" purposes for which they were granted).<br><br>6. Total Operation Costs are Adjusted as follows:<br><br>(a) Federal Title 1 funds are deleted from the total<br>(b) Regional adjustments are made if needed to reflect regional differences in salaries and benefits<br>(c) During the transition period, total operating costs are multiplied by the transition percentage, (State is ramping up to 100% of EPS costs from FY05-06 to FY09-10). | **EDUCATIONAL COST COMPONENTS**<br><br>• LD 1 changes the term "per pupil guarantee" to "EPS per-pupil rate." The calculation of the rate is the same as the guarantee EXCEPT:<br><br>• PPG had 3 rates (K-5, 6-8 and 9-12); EPS per pupil rate has 2 rates (K-8 and 9-12)<br><br>• There is a formula for determining the EPS per pupil rate for units that do not operate schools<br><br>• The EPS per-pupil rate is altered, as determined by the Commissioner, to reflect different costs for "small units" and for differences in regional salary costs (this change for "small units" replaces the geographic isolation adjustment). The alteration for regional salary differences replaces the regional adjustment. The small unit alteration may alter the student: teacher ratio, per pupil amount for plants and maintenance, or other components, as determined by the Commissioner. *(D-45, p. 39; D-40; p. 34)*<br><br>• LD 1: Regional differences in salaries will be reflected in alterations to the unit's EPS per pupil rate, rather than as an adjustment to the total allocation. *(D-40, p. 34)*<br><br>• LD 1: Shortens the ramp-up to 100% of EPS costs by one year (FY 08-09). *(D-35, p. 19)* | |

| CURRENT EPS ACT (As of 7/1/05, pursuant to PL 2003, c. 712) | CHANGES PROPOSED IN LD 1 | ISSUES |
|---|---|---|
| (NOTE: Costs under B, C and D are not subject to the transition percentage) | | |
| B. Program costs: **<br>1. Special education<br>2. Vocational education<br>3. Transportation operating costs<br>4. Bus purchases<br>5. Early childhood education<br><br>(NOTE: Pursuant to the initiated bill approved in June:<br>• The State must pay 100% of the total cost of providing all special education services mandated by federal or state law, rule or regulation.)<br><br>** (NOTE: Current EPS Law calls for calculating program costs under the School Finance Act of 1985, but these provisions are placeholders – PL 2003, c. 712 requires that EPS models for special education and transportation be in place for FY05-06, and for vocational education by FY07-08. LD 1 provides the EPS models for special education and transportation and continues, for now, current law regarding vocational education. | • LD 1 does away with "program costs" as a category of costs. Items #1 to 4 are listed as "Other Subsidizable Costs," and separate methods of funding are provided for in the bill. Early childhood education costs are included in the adjustment for K-2 students (K-2 is defined to include 4-year-olds)<br>• LD 1 defines "special education cost" in a different way than current law, (it removes from the definition: gifted and talented programs and school-based child care services). *(D-37, p. 30)*<br>• LD 1 establishes a method of funding special education. It provides an additional percentage of an EPS per pupil rate for each special education student. DOE expects to provide a number from 1.2 to 1.4 (120% to 140% of EPS per pupil rate). Additional amounts would be provided for elements such as out-of-district placements. *(D-43, p.35-36)*<br>• LD 1 establishes a method of funding transportation costs. The Commissioner is to determine a per-pupil amount, based on number of pupils, miles of different types of roads, and any approved adjustments. *(D-43, p. 36-37)*<br>• To avoid section conflicts, LD 1 moves the initiated bill requirement of 100% state funding of special education to a more suitable place. *(D-56, p. 56-57)* | |
| C. Debt service costs (calculated under the 1985 Act ):<br>1. Principal and interest, major capital expenditures<br>2. Lease costs<br>3. Insured value factors from tuition<br>4. Portable temporary classrooms | • LD 1 moves the concept of debt service as a category of costs from the 1985 Act to the new EPS Funding Act. No substantive changes in the definition of debt service. *(D-37, p. 23-25)* | |

| CURRENT EPS ACT (As of 7/1/05, pursuant to PL 2003, c. 712) | CHANGES PROPOSED IN LD 1 | ISSUES |
|---|---|---|
| D. Adjustments (Calculated under the School Finance Act of 1985)<br>1. Geographic Isolation<br>2. Audit adjustments<br>3. Preschool handicapped services<br>4. Educating students in long-term drug treatment centers<br>5. Special education tuition costs for out-of-district placements<br>6. Services to nonpublic school students<br>7. State agency client costs<br>8. Education of institutionalized residents<br>9. Medicaid | • All of these adjustments are continued in LD 1. They appear in different parts of the formula.<br>• Geographic isolation is dealt with as a small unit adjustment to the EPS per pupil rate, as determined by the Commissioner. *(D-45, p. 39)*<br>• Minimum allocation, audit adjustments, students in long-term drug treatment, and uncertified personnel adjustments are categorized as "Adjustments to the State Share of Allocation." *(D-52, p. 40; D-53, p. 41)*<br>• Special education tuition costs for out-of-district placements are reflected in weighting of the pupil count (i.e., 4 times regular rate). *(D-43, p. 35-36)*<br>• State agency client costs, education of institutional residents are listed as miscellaneous costs and paid directly to the unit, rather than being run through the formula. *(D-54, p. 42-43)*<br>• LD 1 adds miscellaneous costs, also paid directly: EPS contract, learning results assessment and the MEPRI contract (these were all provided for in unallocated law) and regionalization (not the Fund for Efficient Delivery of Service). *(D-54, p. 42-43)* | |

## Splitting the Bill – State and Local Contributions Toward the Cost of Education

| | | |
|---|---|---|
| **THE TOTAL STATE CONTRIBUTION**<br>Under the EPS Law enacted by PL 2003, chapter 712:<br>• The State contribution to the "cost of the components of EPS" (excluding federally-funded services) must be 50% of eligible state and local General Fund education costs statewide by FY07-08 *(§15671(1))*<br>• The State share of the total cost of funding K-12 public education, as described by EPS," must be 55% by FY09-10, and must make progress toward that number | **THE TOTAL STATE CONTRIBUTION**<br>• LD 1 moves forward the 50% funding requirement to FY06-07. *(D-34, p. 18)*<br>• LD 1 moves forward the 55% funding requirement to FY08-09. *(D-35, p. 19-20)*<br>• LD 1 moves the FY06-07 target for state funding from 52.6% to 53.86%, and moves the FY07-08 target from 53% to 54.44%. *(D-35, p. 19-20)* | |

| CURRENT EPS ACT (As of 7/1/05, pursuant to PL 2003, c. 712) | CHANGES PROPOSED IN LD 1 | ISSUES |
|---|---|---|
| each FY beginning in FY05-06. *(§15671(1))*<br><br>• Annual targets for the state share percentage: 52% for FY05-06 and FY06-07; 53% for FY07-08; 54% for FY08-09; and 55% for FY09-10 and beyond. *(§15671(7))*<br><br>(NOTE: Pursuant to the initiated bill approved in June:<br><br>• The State must pay 55% of the cost of the total allocation from General Fund sources, (because this initiated bill requires additional funds, it does not take effect until 45 days after the Legislature convened).) | • LD 1 (Section D-56) includes the provision of the initiated bill requiring the State to pay 55% of the total allocation, effective for school budgets passed for FY05-06 and thereafter. Section D-56 conflicts with section D-35, which allows for a ramp-up to 55% over 4 years. *(D-56, p. 56)* | |
| **THE LOCAL CONTRIBUTION**<br><br>• The local contribution toward the cost of the components of EPS is determined under §15671-A and §15688.<br><br>• The Commissioner determines the "Full-Value Education Mill Rate" by dividing the" Total Costs to be Funded Locally" by the total state valuation for all municipalities.<br><br>  • The total costs to be funded locally is determined by the local share percentage set forth in section 15671-A(2)(B) – for tax year 05 and 06, the local share is 47.4%; for tax year 07, the % is 47%; for tax year 08, it's 46%; for tax year 09 it is 45%.<br><br>  • The mill rate is limited to 9.0 in FY05-06 and 8.0 in FY09-10.<br><br>• The expected contribution from each municipality is the "Full Value Education Mill Rate," multiplied by the municipality's state valuation. If the total cost of education for that unit is less than this amount, then that is the expected contribution.<br><br>• If the school administrative unit wants to adopt a higher tax rate than the full-value education mill rate, the additional rate must be approved in a separate article by a vote of the unit's legislative body (same process as for approval of the school budget). | **THE LOCAL CONTRIBUTION**<br><br>• LD 1 decreases the total local cost share percentage more quickly than current law, to reflect the faster increase in state funding; Local share would be 46.14% in FY06-07; 45.56% in FY07-08; and 45% in FY08-09. *(D-36, p. 20-21)*<br><br>• Local appropriations above the spending target must be approved by the unit's legislative body in a separate article (same approval process as for school budget). *(D-36, p. 21-22)*<br><br>• In addition, if the additional appropriation causes the school administrative unit to exceed its state and local spending target, that must also be approved or ratified by a separate article in conformity with section 15690(3)(B). *(D-36, p. 21-22)* | |

| CURRENT EPS ACT (As of 7/1/05, pursuant to PL 2003, c. 712) | CHANGES PROPOSED IN LD 1 | ISSUES |
|---|---|---|
| **THE STATE CONTRIBUTION TO EACH LOCAL UNIT**<br>• The State contribution to an individual unit is the total cost of the components of EPS for that unit minus the required local contribution. If the unit raises less than the "Full Value Education Mill Rate," the state contribution is proportionately reduced. | | |

## Other Provisions – Fund for the Efficient Delivery of Services

| | | |
|---|---|---|
| • The initiated bill approved in June created the "Fund for the Efficient Delivery of Educational Services," to be funded by an annual appropriation of 2% of funds appropriated for K-12 education. | • LD 1 moves the initiated bill provisions to a more appropriate place in statute (to avoid section conflicts). *(D-56, p. 56-57)*<br>• Section H-2 provides a phase-in of the 2% funding, and appears to provide for funding only for FY05-06 to FY08-09. Section H-2 conflicts with Sec. D-56, which calls for 2% funding as of the effective date. *(H-2, p. 67-68)* | |

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12/15/04
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# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/15/04

## STATE DIRECT TO HOMEOWNER PROPERTY TAX RELIEF: (CIRCUIT BREAKER, HOMESTEAD EXEMPTION, PROPERTY TAX DEFERRAL)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Property tax rebates/circuit-breaker<br><br>Sec. F-3 | 1. Income eligibility<br>Circuit breaker program provides property tax rebate for households with income below established standard (2004):<br>$30,300 Single member households<br>$46,900 Multiple member households<br><br>Amounts are indexed annually using CPI. | 1. Income eligibility<br>Raises household income eligibility levels for program beginning August 1, 2005.<br>$50,000 Single member households<br>$75,000 Multiple member households | |
| | 2. Benefit equal to :<br>50% of amount by which property tax exceeds 4% to 8% of income<br>plus<br>100% of amount by which property tax exceeds 8% of income.<br><br>For renters' benefit, 18% of rent is considered equivalent of PT | 2. Benefit equal to:<br><br>No change | |
| Sec. F-3 | 3. Maximum benefit:<br><br>$1,000 | 3. Maximum benefit:<br>A. Beginning 8/15/07, State Tax Assessor shall determine the amount by which the maximum benefit can be increased based on the amount in the circuit breaker reserve.<br>B. State Tax Assessor must study and report on ways to increase the maximum benefit with a goal of increasing the maximum benefit to $2,000 for the 2009 program and $3,000 in the 2011 program. | |
| Sec. F-2 | 4. Accounting of costs of program (beginning FY 05):<br>A. State Tax Assessor identifies amount needed to pay benefits<br>B. State Controller transfers that amount from undedicated revenue in the individual income tax category to a "circuit breaker" reserve account<br>C. Benefits are paid monthly out of reserve account. | 4. Accounting of costs of program:<br>A. In FYs 07, 08, and 09, in addition to transfers required by current law, the State Controller must ensure that the transfer to the circuit breaker reserve is at least the amount identified as necessary by the 12/1/04 report of the Revenue Forecasting Committee as adjusted by the State Tax Assessor for statutory changes (amounts | |



1

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | identified on page 3).<br>B. Beginning in FY 10 and ending with year in which state share of EPS reaches 55%, State Controller must ensure that the transfer to the circuit breaker reserve is at least the amount identified as necessary by 6/15 annually by the Revenue Forecasting Committee. In making this calculation, the RFC must use property tax growth projections based on historical growth without projecting decreases based on changes in EPS cost sharing.<br>C. Amounts in circuit breaker reserve carry forward. | |
| Homestead exemption | 1. Amount of exemption depends on value of homestead:<br><br>Homestead Value — Exemption Amount<br>Under $125,000 — $7,000<br>$125,000 to $250,000 — $5,000<br>$250,000 and up — $2,500<br><br>FY 05 appropriation — $34,931,664 | No change | |
| Sec. F-1 | 2. Accounting of costs of program:<br>Costs of the program are covered by a GF appropriation to reimburse municipalities for property tax revenues lost as a result of the homestead exemption. | 2. Accounting of costs<br>A. Until the state share of EPS reaches 55%, the Legislature must appropriate at least $36,000,000 for homestead reimbursement<br>B. Amounts not appropriated for reimbursement are transferred to the circuit breaker reserve at the close of each FY | |
| Property tax deferral<br><br>Sec. F-8 | No state program<br>Reverse mortgages available in the private sector. | 1. Mechanism:<br>Maine State Housing Authority is required to develop a plan to issue bonds to be used to establish a property tax deferral program.<br><br>2. Components of program:<br>A. Property taxes in excess of 6% of income could be deferred<br>B. Amounts deferred must be repaid with interest | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | when property is transferred.<br>C. MSHA required to study administrative issues including coordination with the circuit breaker program and submit implementing legislation to Joint Standing Committee on Taxation by 3/1/05. | |
| Future expansion of circuit breaker program<br><br>Sec. F-7 | | 1. Study<br>The State Tax Assessor must study the circuit breaker program and report to the Joint Standing Committee on Taxation by 1/2/06. The study must:<br>A. Examine how the maximum benefit may be increased to $2,000 by 2009 and $3,000 by 2011<br>B. Study the potential benefits of making the circuit breaker program part of the individual income tax. | |
| Net fiscal impact | Circuit breaker costs<br>FY 04 (actual) $24,164,926<br>Projected<br>FY 05 $24,742,857*<br>FY 06 $27,216,152<br>FY 07 $28,702,423<br>FY 08 $29,419,983<br>FY 09 $30,155,483<br><br>* FY 05 transfer to reserve is currently limited by law to $24,742,857. An additional $903,000 is needed to pay actual claims. | TBD | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/15/04

## BUSINESS EQUIPMENT TAX REIMBURSEMENT COST ACCOUNTING (Part F)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| BETR benefits | 1. Benefits provided:<br>State reimburses qualified businesses for property taxes paid on eligible business personal property. | No change | |
| Application timing | 2. Application timing:<br>Applicants apply for reimbursement 8/1 to 12/31 for taxes paid in previous calendar year. | No change | |
| Funding Mechanism<br><br>Sec. F-5 | 3. Accounting of costs of program:<br>Funds for reimbursement are provided through a GF appropriation. | 3. Accounting of costs of program:<br>A. State Tax Assessor identifies amount needed to pay benefits<br>B. State Controller transfers that amount from undedicated revenue in the individual income tax category to a Business Equipment Tax Reimbursement Reserve account<br>C. Benefits are paid by the State Tax Assessor out of reserve account. | |
| Net fiscal impact<br><br>Sec. F-6 | FY 04 (actual) $65,080,850<br>Projected cost<br>FY 05 $63,757,028<br>FY 06 $78,132,345<br>FY 07 $82,896,495<br>FY 08 $87,482,721<br>FY 09 $91,888,310 | 1. GF deappropriations*<br>FY 06 ($78,132,345)GF deapprop*<br>FY 07 ($82,896,495)GF deapprop<br><br>2. Shift from GF appropriation to income tax revenue deduction results in the following loss of revenue to the GF and Local Government Fund (municipal revenue sharing):<br><br>GF / LGF<br>FY 06 $74,069,463 / $4,062,882<br>FY 07 $78,585,877 / $4,310,618<br><br>* Note: No funds have yet been appropriated for the 06-07 biennium. Therefore, it is not possible to deappropriate funds at this time. | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/15/04

## LD 2: CONSTITUTIONAL AMENDMENT TO PROVIDE LOCAL OPTION TO LIMIT GROWTH IN PROPERTY TAXES ON HOMESTEAD LAND

| | Current law | LD 2<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Constitutional standard: | Article IX, Section 8 of the Maine Constitution requires, with some exceptions, that all taxes on real and personal property be assessed "...equally according to the just value thereof." "Just value" has been defined by the courts to mean fair market value.<br><br>The Maine Supreme Judicial Court has held that the Constitution prohibits the Legislature from authorizing local option variations from the standards of equality and just value.<br><br>Maine Constitution permits the Legislature to permit the following categories of land to be taxed at "current use:"<br>A. Farms and agricultural lands, timberlands and woodlands;<br>B. Open space lands which are used for recreation or the enjoyment of scenic natural beauty; and<br>C. Lands used for game management or wildlife sanctuaries.<br>A penalty is required when land is removed from "current use" valuation. | Amends the Maine Constitution to permit municipalities to limit the rate of growth in the value of homestead land. | |
| Property that qualifies for limit | | 1. Growth limit applies to homestead land only<br>A. Homestead land must be:<br>i. Exclusively and continuously owned by one or more residents; and<br>ii. the principal residence of each owner<br>B. A qualifying parcel may not be larger than necessary to support a personal residence. Legislature may further limit or define. | |
| Taxable value growth limitation | | 2. Municipality may limit the change in taxable value of homestead land to the rate of change in purchasing power of US currency as measured by an index adopted by the Legislature. | |
| Exceptions to | | 3. The limitation does not apply to changes in value due to | |

| | Current law | LD 2<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| limitation | | A. Physical alterations to the land; or<br>B. Changes in value due to changes in law affecting use of the land. | |
| Change of ownership or use | | 4. The value of the land must be restored to just value upon change of ownership or use. | |
| Other impacts | | 5. The valuation growth limitation does not affect the determination of equalized just value (state valuation) for any other purpose (GPA, county tax, revenue sharing etc.) | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/17/04

## GOVERNMENT SPENDING/TAX LIMITS
## STATE LIMITS (Part – A)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| State budget process limits Sec. A-6 | 1. Agency budget requests :<br>Departments submit to SBO requirements for ensuing biennium for current services authorized by law. GF appropriation requests may not exceed the GF appropriation for previous fiscal year plus average real personal income growth rate (10 prior calendar years average growth (BEA) less CPI) | 1. Agency budget requests :<br><br>No change in process for GF requests<br><br>Same limitation is applied to Highway Fund requests (except highway and bridge improvement accounts) | |
| Sec. A4 - A-5 | 2. Governor's requests to Legislature:<br>GF request may not exceed GF appropriation for previous fiscal year by more than a growth factor equal to one plus the 10 year average real personal income growth rate plus the average forecasted inflation rate | 2. Governor's requests to Legislature:<br><br>Governor's request limitation is repealed and replaced with appropriation limitation. | |
| Sec. A-5 §1534 | | 3. Limitation on GF appropriations:<br><br>Limits increase in annual GF appropriations by a growth factor equal to one plus the 10 year average real personal income growth rate plus the average forecasted inflation rate (FY 06-07 = 4.58%) | |
| Sec. A-5 §1534 | 4. Adjustments to limitation:<br><br>None | 4. Adjustments to limitation: | |
| | 5. Exceptions to limitations:<br>Limit may be exceeded by additional costs or the lost federal revenue from the following exceptional circumstances:<br>1. Unfunded or underfunded new federal mandates<br>2. Citizens' initiatives or referenda that require additional state spending<br>3. court orders or decrees that require additional state spending<br>4. Significant increases in demand for existing state | 5. Exceptions to limitations:<br>Limit may be exceeded by additional costs or the lost federal revenue from the following exceptional circumstances:<br>1. Unfunded or underfunded new federal mandates<br>2. Citizens' initiatives or referenda that require additional state spending<br>3. court orders or decrees that require additional state spending<br>4. Significant increases in demand for existing state | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | services that are not the result of legislative changes that increased eligibility or increased benefits<br>5. Additional exceptional circumstances designated by the Governor.<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | services that are not the result of legislative changes that increased eligibility or increased benefits<br>5. Additional exceptional circumstances designated by the Legislature.<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | |
| Maine Budget Stabilization Fund<br>Sec. A-1 – A-4 | 1. Transfers to the MBSF Fund<br>Year-end GF unappropriated surplus<br>to MBSF 32%<br>to Retirement Allowance Fund 32%<br>to Working Capital Reserve 16%<br>State Contingent Acct up to $350,000<br>to Loan Insur Reserve (FAME) $1 Mil<br>Remaining GF balance Remains in GF | 1. Transfers to the Fund<br>Year-end GF excess GF revenue<br>to MBSF 32%<br>to Retirement Allowance Fund 32%<br>to Working Capital Reserve 16%<br>State Contingent Acct up to $350,000<br>to Loan Insur Reserve (FAME) 0*<br>Remaining GF balance to MBSF<br><br>Elimination of transfer to Loan Insurance Reserve is an oversight that will require a technical amendment to restore. | |
| | 2. Cap on Fund:<br><br>10% of GF revenues | 2. Cap on Fund:<br><br>12% of GF revenues | |
| p. 2, line 45 | 3. Expenditures from fund:<br>Require 2/3 vote of the Legislature upon recommendation by Governor and may only be spent for:<br>A. Prepayment of outstanding GF bonds or<br>B. Major construction.<br>C. Certain law enforcement officer death benefits | 3. Expenditures from fund:<br>Supermajority not required.<br>May be spent only to offset a GF revenue shortfall (the amount by which the GF appropriation limitation exceeds forecasted GF revenues and other available resources). | |
| Budget emergency:<br>p. 2, line 24 | 4. Curtailment.<br>If commissioner of DAFS finds that anticipated income and other resources are insufficient to meet authorized expenditures, Commissioner notifies Governor, President and Speaker and may temporarily curtail allotments equitably so that expenditures will not exceed available funds. | 4. Use of MBSF<br>Retains curtailment process<br><br>Provides that if Legislature has adjourned sine die and Commissioner of DAFS declares that GF resources are insufficient to meet GF appropriations the Governor may reduce the MBSF below 1% to bring budget back into balance | |
| Revenue | | Requires RFC in December biennial report to calculate | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Forecasting Committee Sec. A-7 | | long-term economic growth rate limitation (average 10 year personal income growth plus average forecasted inflation). | |
| | | 6. <u>Enforcement of limitation:</u><br>Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to legally bind the Legislature. | |

## GOVERNMENT SPENDING/TAX LIMITS
## MUNICIPAL AND PLANTATION LIMITS (Parts C and G)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Appropriation limit<br>Sec. C-1<br>§5721-A | None | 1. Statement of limit:<br>Appropriations that use revenues collected through the property tax may not exceed the "property tax levy limit."<br><br>The property tax levy limit equals the property tax levy limit for the previous year multiplied by one plus:<br>the income growth factor<br>plus<br>the property growth factor. | |
| p. 8, line 24<br><br>P. ;7, line 33 | | 2. Definition of factors:<br>When the state and local tax burden is in the top 1/3 of all states, the "income growth factor" is the "base growth factor." The "base growth factor" is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the "[income?] growth factor" is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years.<br><br>The "property growth factor" equals the increase in assessed value of property first subject to taxation in the prior year, etc divided by the total valuation of the municipality. | |
| p. 8, line 17<br><br>p. 9, line 1 | | 3. Adjustments to limitation:<br>A. Municipality may request adjustment from State Tax Assessor if prior year's tax commitment reflects "extraordinary, nonrecurring events" (undefined).<br><br>B. Municipality must lower its property tax levy limit by amount of net new state funding other than mandates funding) | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | "Net new funding means:<br>the amount received from state for services funded by property taxes<br>less<br>the amount received in the prior year multiplied by one<br>plus:<br>the income growth factor<br>plus<br>property growth factor | |
| p. 9, line 35<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>p. 10 , line 1 | | 4. <u>Exceptions to limitation:</u><br>1. By vote of legislative body the property tax levy limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the legislative body such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. Municipality may raise its property tax levy limit by vote at regular or special municipal election called by legislative body. | |
| p. 10, line 29 | | 5. <u>Enforcement of limitation:</u><br>If municipality exceeds limit, the State Tax Assessor may require the municipality to adjust its appropriation downward and impose other penalties provided by the Legislature. | |

BILL DOES NOT PROPOSE ANY LIMITATION ON SPENDING/PROPERTY TAXES FOR "MUNICIPAL" SERVICES IN THE UNORGANIZED TERRITORY.

## GOVERNMENT SPENDING/TAX LIMITS
## COUNTY LIMITS (Part E)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Appropriation limit<br><br>§E-1<br><br>p. 58, line 17 | None | 1. Statement of limit:<br>Appropriations that are funded by and assessment on municipalities may not exceed the "assessment limit."<br><br>The assessment limit equals the assessment limit for the previous year multiplied by one plus:<br>the income growth factor<br>plus<br>the property growth factor. | |
| p. 59, line 16<br><br>p. 58, line 28 | | 2. Definition of factors:<br>When the state and local tax burden is in the top 1/3 of all states, the "income growth factor" is the "base growth factor." The "base growth factor" is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the "[income?] growth factor" is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years.<br><br>The "property growth factor" equals the total increase in assessed value of property first subject to taxation in the prior year for each municipality in the county, etc divided by the total valuation of the municipalities in the county. | |
| p. 59, line 10<br><br>p. 59, line 43 | | 3. Adjustments to limitation:<br>A. County may request adjustment from State Tax Assessor if prior year's tax commitment reflects "extraordinary, nonrecurring events" (undefined).<br><br>B. County must lower its assessment limit by amount of net new state funding other than mandates funding) | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | "Net new funding means:<br>the amount received from state for services funded by the assessment<br>less<br>the amount received in the prior year multiplied by one<br>plus:<br>the income growth factor<br>plus<br>property growth factor | |
| p. 60, line 13<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>p. 60, line 28 | | 4. <u>Exceptions to limitation:</u><br>By vote of county governing body, the assessment limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the county commissioners such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. County may raise its assessment limit by vote on written referendum at regular or special election called by majority of county commissioners. | |
| p. 61, line 1 | | 5. <u>Enforcement of limitation:</u><br>If county exceeds limit, the State Tax Assessor may require the county to adjust its appropriation downward and impose other penalties provided by the Legislature. | |

## Comparison of budget limitations

in LD 1, An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.

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| | State | Municipalities and Plantations | Counties | Schools | |
|---|---|---|---|---|---|
| | | | | Limit on Total EPS cost | Limit on SAUs |
| Base to which the limit applies | Limit is on General Fund appropriation for each fiscal year of the current biennium and the next fiscal biennium. | Limit is on annual appropriations that use revenues collected through the property tax. | Limit is on annual appropriations funded by an assessment on municipalities. | Limit is on total state and local cost of components of essential programs and services (EPS). | Limit is on sum of SAU's contribution to EPS, state's contribution to EPS for the unit and additional local spending.. |
| Statement of limit | Limit is on General Fund appropriation for each fiscal year of the current biennium and the next fiscal biennium. | Appropriations may not exceed "property tax levy limit (PTLL)." | Appropriations may not exceed the "assessment limit (AL)." | Total cost of components of EPS may not exceed prior years costs multiplied by one plus a personal income growth factor | Total SAU spending limit may not exceed "targeted state and local spending." |
| Calculation of limit<br><br>FY 06-07 | GF appropriation may not exceed the adjusted GF appropriation for the prior fiscal year multiplied by one plus the "long-term growth rate limitation" which is determined by the Revenue Forecasting Committee and is a percentage rate equal to:<br><br>the "measure of economic growth"<br>2.58%<br><br>plus<br>the "average forecasted inflation rate"<br>2.0%<br>4.58% | PTLL equals the PTLL for the prior year multiplied by one plus:<br><br>the income growth factor<br>2.58% (top 1/3 TB)<br>4.58% (mid 1/3 TB)<br><br>plus<br><br>the property growth factor.<br>will vary by municipality | AL equals the AL for the prior year multiplied by one plus:<br><br>the income growth factor<br>2.58% (top 1/3 TB)<br>4.58% (mid 1/3 TB)<br><br>plus<br><br>property growth factor<br>will vary by county | Total cost of components of EPS may not exceed prior years costs multiplied by one plus a personal income growth factor | "Targeted state and local spending" equals the following:<br><br>FYs 06, 07 and 08<br>"Targeted state and local spending" equals:<br>State and local spending, excluding local only debt, in the previous FY increased by 3-year average CPI<br>plus<br>25% of the difference between that result and 100% of the cost of EPS for the FY<br><br>FY 09 and after<br>"Targeted state and local spending" equals:<br>100% of the cost of EPS |

| | State | Municipalities and Plantations | Counties | Schools | |
|---|---|---|---|---|---|
| | | | | Limit on Total EPS cost | Limit on SAUs |
| Definitions of factors: | The "measure of economic growth" means "average real personal income growth rate" defined in §1665.1.<br><br>"Average forecasted inflation rate" means the average forecasted change in CPI underlying the revenue projections of the Revenue Forecasting Committee for the 5 future calendar years in the "economic forecast." | When the state and local tax burden is in the top 1/3 of all states, the "income growth factor" is the "base growth factor." The "base growth factor" is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the "[income?] growth factor" is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years.<br><br>The "property growth factor" equals the increase in assessed value of property first subject to taxation in the prior year, etc divided by the total valuation of the municipality. | "Income growth factor" is the same as under municipal limitation.<br><br>The "property growth factor" equals the total increase in assessed value of property first subject to taxation in the prior year for each municipality in the county, etc divided by the total valuation of the municipalities in the county. | When the state and local tax burden is in the top 1/3 of all states, the personal income growth factor is the "average real personal income growth rate" defined in §1665.1 but no more than 2.75%.<br><br>When the state and local tax burden is in the middle 1/3 of all states, the personal income growth factor is the "personal income growth factor" which equals one plus average % change in personal income in State for prior 10 years. | |
| | "Average real personal income growth rate" means the average for the prior 10 years of the % change in personal income in this State less the percent change in the CPI." | same as State | Same as State | Same as state | |
| Adjustments to limitation: | | 1. Municipality may request adjustment from State Tax Assessor if prior year's tax commitment reflects "extraordinary, nonrecurring events" (undefined).<br><br>2. Municipality must lower its property tax levy limit by amount of net new state funding other than mandates funding)<br>"Net new funding means: | 1. County may request adjustment from State Tax Assessor if prior year's assessment reflects "extraordinary, nonrecurring events" (undefined).<br><br>2. County must lower its assessment by amount of net new state funding other than mandates funding)<br>"Net new funding means: | | |

| | State | Municipalities and Plantations | Counties | Schools | |
|---|---|---|---|---|---|
| | | | | Limit on Total EPS cost | Limit on SAUs |
| | | the amount received from state for services funded by property taxes<br>less<br>the amount received in the prior year multiplied by one plus:<br>the income growth factor<br>plus<br>property growth factor | the amount received from state for services funded by assessment<br>less<br>the amount received in the prior year multiplied by one plus:<br>the income growth factor<br>plus<br>property growth factor | | |
| Exceptions to limitation: | Limit may be exceeded by additional costs or the lost federal revenue from the following exceptional circumstances:<br>1. Unfunded or underfunded new federal mandates<br>2. Citizens' initiatives or referenda that require additional state spending<br>3. court orders or decrees that require additional state spending<br>4. Significant increases in demand for existing state services that are not the result of legislative changes that increased eligibility or increased benefits<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | 1. By vote of legislative body the property tax levy limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the legislative body such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. Municipality may raise its property tax levy limit by vote at regular or special municipal election called by legislative body. | 1. By vote of county governing body, the assessment limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the county commissioners such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event.<br><br>2. County may raise its assessment limit by vote on written referendum at regular or special election called by majority of county commissioners. | Legislature may exceed limitation on total state and local EPS costs by majority vote in legislation stating that it is intent to override the limitation. | SAU may exceed the limit by referendum vote in a separate article and by secret ballot. |
| Enforcement of limitation: | Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to bind the Legislature. | If municipality exceeds limit, the State Tax Assessor may require the municipality to adjust its appropriation downward and impose other penalties provided by the Legislature. | If county exceeds limit, the State Tax Assessor may require the municipality to adjust its appropriation downward and impose other penalties provided by the Legislature. | Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to bind the Legislature. | ??? |

JSJ
1/3/05

## Comparison of budget limitations

in LD 1, An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.

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| | State | Municipalities and Plantations | Counties | Schools | |
|---|---|---|---|---|---|
| | | | | Limit on Total EPS cost | Limit on SAUs |
| Base to which the limit applies | General Fund appropriation for each fiscal year of the current biennium and the next fiscal biennium. | Property tax levy | County tax assessment | Total state and local cost of EPS | Total SAU spending |
| Growth limit | 10-year average real personal income growth rate<br><br>plus<br><br>the "average forecasted inflation rate" | **Top 1/3 state and local tax burden:**<br>10-year average real personal income growth rate but no more than 2.75%<br><br>plus<br><br>increase in municipal valuation due to property that is newly subject to tax in the prior year<br><br>**Middle 1/3 state and local tax burden:**<br>10-year average nominal personal income growth rate<br><br>plus<br><br>increase in municipal valuation due to property that is newly subject to tax in the prior year | **Top 1/3 state and local tax burden:**<br>10-year average real personal income growth rate but no more than 2.75%<br><br>plus<br><br>total for all municipalities in county of increase in municipal valuation due to property that is newly subject to tax in the prior year<br><br>**Middle 1/3 state and local tax burden:**<br>10-year average nominal personal income growth rate<br><br>plus<br><br>total for all municipalities in county of increase in municipal valuation due to property that is newly subject to tax in the prior year | **Top 1/3 state and local tax burden:**<br>10-year average real personal income growth rate but no more than 2.75%<br><br>**Middle 1/3 state and local tax burden:**<br>10-year average nominal personal income growth rate | LD 1 provides 4-year ramp-up of limits for units spending below EPS.<br><br>*DoE is revising this recommendation to remove the ramped limits. New limit is believed to be 100% of total state and local EPS for the SAU.* |
| Adjustments to limitation: | | 1. Municipality may request adjustment from State Tax Assessor if prior year's tax commitment reflects "extraordinary, nonrecurring events" (undefined).<br><br>2. Municipality must lower its property tax levy limit by amount of net new state funding other than mandates funding) | 1. County may request adjustment from State Tax Assessor if prior year's assessment reflects "extraordinary, nonrecurring events" (undefined).<br><br>2. County must lower its assessment by amount of net new state funding other than mandates funding) | | |

| | State | Municipalities and Plantations | Counties | Schools | |
|---|---|---|---|---|---|
| | | | | Limit on Total EPS cost | Limit on SAUs |
| Exceptions to limitation for unusual occurrences: | Limit may be exceeded by additional costs or the lost federal revenue from the following exceptional circumstances:<br>1. Unfunded or underfunded new federal mandates<br>2. Citizens' initiatives or referenda that require additional state spending<br>3. court orders or decrees that require additional state spending<br>4. Significant increases in demand for existing state services that are not the result of legislative changes that increased eligibility or increased benefits<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | 1. By vote of legislative body the property tax levy limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the legislative body such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event. | 1. By vote of county governing body, the assessment limit may be exceeded as necessary to comply with a court order or to respond to an extraordinary event.<br>"Extraordinary events" include:<br>A. A catastrophic event outside the control of the county commissioners such as natural disaster,<br>B. Severe weather,<br>C. Act of God,<br>D. Act of terrorism,<br>E. Fire, war and riot,<br>"Extraordinary event" does not include a change in economic conditions, revenue shortfall or increase in salaries or benefits.<br>Adjustment is limited to time period necessary to address the extraordinary event. | | |
| Exceptions approved by voters | | Municipality may raise its property tax levy limit by vote at regular or special municipal election called by legislative body.<br><br>QUESTION:<br>"Do you favor raising the levy limit of the [name of municipality] for the purpose of [insert purpose]?" | County may raise its assessment limit by vote on written referendum at regular or special election called by majority of county commissioners.<br><br>QUESTION:<br>"Do you favor raising the levy limit of the [name of county} for the purpose of [insert purpose]?" | Legislature may exceed limitation on total state and local EPS costs by majority vote in legislation stating that it is intent to override the limitation | SAU may exceed the limit by referendum vote in a separate article and by secret ballot.<br><br>QUESTION:<br>"Article: Do you favor adopting a budget that exceeds those costs considered reasonably necessary according to the essential programs and services funding model by (Recommend $ .) for the purpose of (insert purpose)? |
| Enforcement of limitation: | Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to bind the Legislature. | If municipality exceeds limit, the State Tax Assessor may require the municipality to adjust its appropriation downward and impose other penalties provided by the Legislature. | If county exceeds limit, the State Tax Assessor may require the municipality to adjust its appropriation downward and impose other penalties provided by the Legislature. | Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to bind the Legislature. | ??? |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/17/04

## LONG-TERM STATE AND LOCAL TAX BURDEN REDUCTION (Part H)

| | Current law | LD 2<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Tax burden reduction<br><br>§H-1<br>p. 66, line 22<br><br><br><br><br><br>§C-1<br>p. 8, line39 | Many different organizations tabulate rankings of state and local tax burden. Various methods of calculation are used.<br><br>The most commonly used tax burden standard is calculated by the Federation of Tax Administrators using U. S. Census data.<br>According to this calculation, Maine's state and local tax burden, as a percentage of personal income, ranked 2nd among all the States in 2002, the most recent year for which figures are available. | Establishes goal of reducing Maine's state and local tax burden to national average by 2015 using U.S> Census analysis adjusted by the State Tax Assessor to reflect Maine's unique expenditure tax relief programs.<br><br><br><br><br><br>In municipal and county tax limitations, for puposes of determining whether the State is in the top or middle 1/3 of states tax burden, the State Tax Assessor calculates based on U.S. Census data. | |
| Oversight and reporting<br><br>p. 66, line 44 | The Bureau of Revenue Services is required to present a report to the JSC on Taxation and the JSC on Appropriations and Financial Affairs by October 1st of even numbered years identifying the incidence of state, local and county taxes and the distribution of the tax burden by income and other characteristics. The report must also describe the impact of the tax system on businesses. | Requires Governor, in consultation with the Legislature, is directed to establish an independent commission to assess and report on the progress of the State, municipalities, counties and SAUs in achieving the 2015 goal.<br><br>Commission must develop specific, quantifiable performance indicators and, beginning 1/15/06 report annually to the JSC on Taxation on progress in achieving the goal. | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 12/17/04

## FUND FOR EFFICIENT DELIVERY OF LOCAL AND REGIONAL SERVICES (Sec. H-3, p. 68)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| Fund established | 1. Fund is established by MMA initiated bill.* | No change | |
| Funding | 2. Fund is funded by a transfer of 2% of state-municipal revenue sharing funds | No change | |
| Purpose | 3. Fund is to be distributed to municipalities that demonstrate savings through efficiencies and regionalization. | No change | |
| Development of process for distribution | 4. Initiated bill directs the JSC on State and Local Government to report out legislation by 3/1/04 (not a typo – second round voting delayed the original intended effective date) to specify design, implementation and oversight of fund. | 4. LD 1, in unallocated language, provides that DAFS shall administer the Fund and provide competitive grants and planning grants to municipalities that demonstrate savings through efficiencies and regionalization based on criteria adopted by DAFS in 2004 for distribution of $1 million set aside from state-municipal revenue sharing in July 2004. | |

* The MMA initiative becomes operative 45 days after December 1, 2004.

## SPENDING LIMITS, ASSESSMENT LIMITS & SCHOOL EFFICIENCY FUNDS: CURRENT LAW & LD 1 PROPOSALS

| EPS FUNDING ACT (Eff. 7/1/05, see PL 03, c. 712) | CHANGES PROPOSED IN LD 1 | ISSUES |
|---|---|---|
| **LIMITS ON THE LOCAL TAX RATE**<br><br>• School administrative units ("SAUs") that want to levy a property tax rate for education that is higher than the full-value education mill rate determined by the Commissioner must obtain approval from the SAU's legislative body, by vote on a separate article *(15671-A (3))*<br><br>• PL 03, c. 712 established benchmarks, but not legal requirements, for local tax rates to decline from year to year *(5 MRSA §1677, subsection 3)* | **LIMIT ON LOCAL SPENDING ON EDUCATION**<br><br>• Rather than limiting the local tax rate, LD 1 limits total spending by SAUs, unless additional spending is approved by the SAU's legislative body, in a process described in the bill (i.e., spending limit may only be approved by referendum vote) *(D-36, p. 21-22)*<br><br>• Beginning in FY08-09, the limit (called the "state and local spending target") is 100% of EPS costs. Between FY05-06 and FY08-09, the target is the lesser of: (1) 100% of EPS; and (2) the prior fiscal year's spending (excluding local-only debt), plus a 3-year average CPI adjustment, plus 25% of the difference between that result and 100% of EPS costs. *(Sec. D-36, p. 21-22)*<br><br>**LIMIT ON THE GROWTH OF EPS COSTS**<br><br>• LD 1 limits the rate of growth in the total cost of the components of EPS to the rate of growth in average real personal income. Until Maine is in the middle 1/3 of states in tax burden, the rate may not exceed 2.75%. The Legislature may vote to exceed these limitations. *(Sec. D-34, p. 18)* | Is a different approval process required for approval of "additional local appropriation" versus approval of "exceeding the state and local spending targets"?<br><br>What are the implications of the spending caps on the phase-in of recognizing EPS costs and the phase-in of increased state funding? |

## "Splitting the Bill" – State and Local Contributions Toward the Cost of Education

| | | |
|---|---|---|
| **THE TOTAL STATE CONTRIBUTION**<br><br>• The State contribution to the "cost of the components of EPS" (excluding federally-funded services) must be 50% of eligible state and local General Fund education costs statewide by FY07-08 *(§15671(1))*<br><br>• The State share of the total cost of funding K-12 public education, as described by EPS," must be 55% by FY09-10, and must make progress toward that number each FY beginning in FY05-06. *(§15671(1))*<br><br>• Annual targets for the state share percentage: 52% for FY05-06 and FY06-07; 53% for FY07-08; 54% for FY08-09; | **THE TOTAL STATE CONTRIBUTION**<br><br>• LD 1 moves forward the 50% funding requirement to FY06-07. *(D-34, p. 18)*<br><br>• LD 1 moves forward the 55% funding requirement to FY08-09. *(D-35, p. 19-20)*<br><br>• LD 1 moves the FY06-07 target for state funding from 52.6% to 53.86%, and moves the FY07-08 target from 53% to 54.44%. *(D-35, p. 19-20)* | How does the phase-in of recognizing EPS cost and the phase-in of state funding relate to the spending caps? |

| CURRENT EPS ACT (As of 7/1/05, pursuant to PL 2003, c. 712) | CHANGES PROPOSED IN LD 1 | ISSUES |
|---|---|---|
| and 55% for FY09-10 and beyond. *(§15671(7))*<br><br>(NOTE: Pursuant to the initiated bill approved in June:<br><br>• The State must pay 55% of the cost of the total allocation from General Fund sources, (because this initiated bill requires additional funds, it does not take effect until 45 days after the Legislature convened).) | • LD 1 (Sec. D-56) includes the provision of the initiated bill requiring the State to pay 55% of the total allocation, effective for school budgets passed for FY05-06 and thereafter. Sec. D-56 conflicts with Sec. D-35, which allows for a ramp-up to 55% over 4 years. *(D-56, p. 56)* | |
| **THE LOCAL CONTRIBUTION**<br><br>• The local contribution toward the cost of the components of EPS is determined under §15671-A and §15688.<br><br>• The Commissioner determines the "Full-Value Education Mill Rate" by dividing the" Total Costs to be Funded Locally" by the total state valuation for all municipalities.<br><br>  • The total costs to be funded locally is determined by the local share percentage set forth in section 15671-A(2)(B) – for tax year 05 and 06, the local share is 47.4%; for tax year 07, the % is 47%; for tax year 08, it's 46%; for tax year 09 it is 45%.<br><br>  • The mill rate is limited to 9.0 in FY05-06 and 8.0 in FY09-10.<br><br>• The expected contribution from each municipality is the "Full Value Education Mill Rate," multiplied by the municipality's state valuation. If the total cost of education for that unit is less than this amount, then that is the expected contribution.<br><br>• If the unit wants to adopt a higher tax rate than the full-value education mill rate, the additional rate must be approved in a separate article by a vote of the unit's legislative body (same process as for approval of the school budget). | **THE LOCAL CONTRIBUTION**<br><br>• LD 1 decreases the total local cost share percentage more quickly than current law, to reflect the faster increase in state funding; Local share would be 46.14% in FY06-07; 45.56% in FY07-08; and 45% in FY08-09. *(D-36, p. 20-21)*<br><br>• Local appropriations above the spending target must be approved by the unit's legislative body in a separate article (same approval process as for school budget). *(D-36, p. 21-22)*<br><br>• In addition, if the additional appropriation causes the school administrative unit to exceed its state and local spending target, that must also be approved or ratified by a separate article in a referendum vote in conformity with section 15690(3)(B). *(D-36, p. 21-22)* | Is a different approval process required for approval of "additional local appropriation" versus approval of "exceeding the state and local spending targets"? |

| CURRENT EPS ACT (As of 7/1/05, pursuant to PL 2003, c. 712) | CHANGES PROPOSED IN LD 1 | ISSUES |
|---|---|---|
| **THE STATE CONTRIBUTION TO EACH LOCAL UNIT**<br>• The State contribution to an individual unit is the total cost of the components of EPS for that unit minus the required local contribution. If the unit raises less than the "Full Value Education Mill Rate," the state contribution is proportionately reduced. | | |

## Other Provisions – Fund for the Efficient Delivery of Services

| | | |
|---|---|---|
| • The initiated bill approved in June created the "Fund for the Efficient Delivery of Educational Services," to be funded by an annual appropriation of 2% of funds appropriated for K-12 education.<br><br>(NOTE: Pursuant to the FY 04-05 Supplemental Budget bill (see PL03, c. 673, Pt. N):<br><br>• $125,000 of the funds appropriated to the "General Purpose Aid to Local Education (or "GPA") program in FY 04-05 were allocated to provide "Regionalization, Consolidation and Efficiency Assistance" | • LD 1 moves the initiated bill provisions to a more appropriate place in statute (to avoid section conflicts). *(D-56, p. 56-57)*<br><br>• Sec. H-2 provides a phase-in of the 2% funding, and appears to provide for funding only for FY05-06 to FY08-09. Sec. H-2 conflicts with Sec. D-56, which calls for 2% funding as of the effective date. *(H-2, p. 67-68)* | Funding level conflict between Sec. D-56 (2% in FY 04-05) & Sec. H-2 (4-yr. phase-in)<br><br>Status report on school grants and funds allocated to SAUs as incentives to collaborate and regionalize in FY 04-05 |

J:\OFPR\Property Tax Reform\PDM EPS Spending Limit Chart.doc (12/17/2004 11:13:00 AM)

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 1/1/05

*Technical review and corrections needed*

jsj 1/3/05

## STATE BUDGET STABILIZATION(Part – A)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| State budget process limits<br>Sec. A-6 | Agency budget requests :<br>Departmental submissions to SBO growth limited to 10-year average real personal incme growth rate | Agency budget requests :<br>Current GF limitation is applied to Highway Fund requests (except highway and bridge improvement accounts) | |
| Sec. A4 - A-5 | Governor's requests to Legislature:<br>GF request growth limited to the 10 year average real personal income growth rate plus the average forecasted inflation rate | Governor's requests to Legislature:<br>Governor's request limitation is repealed and replaced with appropriation limitation. | |
| Sec. A-5<br>§1534 | | Limitation on GF appropriations:<br>GF appropriation growth limited to the 10 year average real personal income growth rate plus the average forecasted inflation rate | |
| Exceptions to limitation | 1. Federal mandates<br>2. Citizens' initiatives<br>3. Court orders or<br>4. Significant increases in demand for existing state services that are not the result of legislative changes that increased eligibility or increased benefits<br>5. Additional exceptional circumstances designated by the Governor.<br>"Exceptional circumstances" means unforeseen conditions over which the Governor and the Legislature have little or no control. "Exceptional circumstances do not apply to new programs or program expansions. | Same as current law | |
| Maine Budget Stabilization Fund<br>Sec. A-1 – A-4 | Transfers to the MBSF Fund<br>Year-end GF unappropriated surplus<br>to MBSF 32%<br>to Retirement Allowance Fund 32%<br>to Working Capital Reserve 16%<br>State Contingent Acct up to $350,000<br>to Loan Insur Reserve (FAME) $1 Mil<br>Remaining GF balance Remains in GF | Transfers to the Fund<br>Year-end GF excess GF revenue<br>to MBSF 32%<br>to Retirement Allowance Fund 32%<br>to Working Capital Reserve 16%<br>State Contingent Acct up to $350,000<br>to Loan Insur Reserve (FAME) 0*<br>Remaining GF balance to MBSF | |

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
|---|---|---|---|
| | | Elimination of transfer to Loan Insurance Reserve is an oversight that will require a technical amendment to restore. | |
| | Cap on Fund:<br><br>10% of GF revenues | Cap on Fund:<br><br>12% of GF revenues | |
| p. 2, line 45 | Expenditures from fund:<br>Require 2/3 vote of the Legislature upon recommendation by Governor and may only be spent for:<br>A. Prepayment of outstanding GF bonds or<br>B. Major construction.<br>C. Certain law enforcement officer death benefits | Expenditures from fund:<br>Supermajority not required.<br>May be spent only to offset a GF revenue shortfall (the amount by which the GF appropriation limitation exceeds forecasted GF revenues and other available resources).<br><br>*Appears to envision an "automatic" use of fund when revenues are insufficient to meet appropriation limit. Method by which this would happen is not clear in LD 1.* | |
| Budget emergency:<br>p. 2, line 24 | Curtailment.<br>If commissioner of DAFS finds that anticipated income and other resources are insufficient to meet authorized expenditures, Commissioner notifies Governor, President and Speaker and may temporarily curtail allotments equitably so that expenditures will not exceed available funds. | Use of MBSF<br>Retains curtailment process<br><br>Provides that if Legislature has adjourned sine die and Commissioner of DAFS declares that GF resources are insufficient to meet GF appropriations the Governor may reduce the MBSF below 1% to bring budget back into balance | |
| Revenue Forecasting Committee<br>Sec. A-7 | | Requires RFC in December biennial report to calculate long-term economic growth rate limitation (average 10 year personal income growth plus average forecasted inflation). | |
| | Enforcement of limitation:<br>Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to legally bind the Legislature. | Enforcement of limitation:<br>Statutory limits are not legally binding on the Legislature. A constitutional amendment would be necessary to legally bind the Legislature. | |

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 1/1/05

*Technical review and corrections needed*

jsj 1/3/05

## STATE BUDGET STABILIZATION(Part – A)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
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|---|---|---|---|
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| p. 2, line 45 | Expenditures from fund:<br>Require 2/3 vote of the Legislature upon recommendation by Governor and may only be spent for:<br>A. Prepayment of outstanding GF bonds or<br>B. Major construction.<br>C. Certain law enforcement officer death benefits | Expenditures from fund:<br>Supermajority not required.<br>May be spent only to offset a GF revenue shortfall (the amount by which the GF appropriation limitation exceeds forecasted GF revenues and other available resources).<br><br>*Appears to envision an "automatic" use of fund when revenues are insufficient to meet appropriation limit. Method by which this would happen is not clear in LD 1.* | |
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*Technical review and corrections needed*

jsj 1/3/05

# JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM

jsj 1/1/05

## STATE BUDGET STABILIZATION(Part – A)

| | Current law | LD 1<br>Governor's Bill | Issues/Comments |
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|---|---|---|---|
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# Joint Select Committee on Property Tax Reform

## Status of EP&S School Funding Formula Decisions in LD 1, Part D

(Prepared by OPLA (PDM); Revised: 7-Jan-05)

| EPS Funding Issue | LD 1 Proposal | Committee Status |
|---|---|---|
| "Ramp" to 55% state share of EPS funding | ⌖ 4-year ramp-up to 55% state share of EPS funding by FY08-09; with the State share also based on "transition percentage" ramp-up to recognizing 100% of EPS costs by FY08-09 (e.g., in FY 05-06, state target is 52.6% of 84% of "total operating costs" defined by EPS formula) | COMMITTEE ACTION (1/5):<br>⌖ Move forward the 4-year ramp-up to 55% state share of EPS funding by FY08-09<br><br>⌖ Tabled consideration of a "bolt-on" to accomplish a 2-year "unfunded" ramp-up as part of package |
| Transition Plan for FY05-06 and FY06-07 | ⌖ Current law permits the Commissioner to establish a "transition adjustment" calculated to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of the EPS Funding Act (i.e., the transition adjustment must be directly related to the phase-in of EPS and the local cost share expectation method) | NEED DECISIONS:<br>⌖ Subcommittee and Commissioner will propose a "transition plan" for review<br><br>⌖ "Transition adjustment" amount and eligibility criteria should be established |
| SAD / CSD Cost-sharing | ⌖ To avoid significant, adverse impacts of the "total cost of education" mechanism on member municipalities, PL 03, c. 712 established an exception for member municipalities of SADs and CSDs whose district cost-sharing formulas were established by *private & special law* (P&SL) when the district was formed; and directed DOE to study the implications of the proposed "total cost of education" mechanism on districts that were created by P&SL and to report the findings of this review, including any recommended legislation, to the 122nd Legislature by January 31, 2005<br><br>⌖ Districts created by P&SL will continue to share costs in accordance with their cost-sharing formulas, but several SADs and CSDs whose cost-sharing formulas were established according to statutes will experience significant, adverse impacts on some member municipalities due to the current law provision that provides that DOE shall calculate each member municipality's "total cost of education" based on the municipality's pupil count and it's "full value education mill rate" | NEED DECISION:<br>⌖ Should DOE findings and recommendations be presented to the Jt. Select Cmte. (sooner in 1/05) or to the Education Cmte. (later in 1/05) to address these significant adverse impacts on member municipalities of SADs and CSDs whose district cost-sharing formulas were established by "private and special law" prior to when the district was formed?<br><br>⌖ Should Commissioner's transition plan provide a transition adjustment for certain school districts facing significant, adverse impacts of the "total cost of education" mechanism due to their existing cost-sharing formula? |

| EPS Funding Issue | LD 1 Proposal | Committee Status |
|---|---|---|
| Limit on the Growth of Total EPS Costs | ⌖ Limits the growth in total costs of EPS components to the rate of growth in average "real" personal income, including a limit on the rate of growth of 2.75% (until Maine is in the middle 1/3 of states in tax burden), except that the Legislature can exceed these limits with a majority vote | NEED DECISIONS:<br>⌖ Adopt the LD 1 spending limit and override provisions, amend the proposals, or strike from the bill |
| Limit on Local School Unit Spending | ⌖ Establishes maximum "state and local spending targets" for each school unit based on 100% of total state and local EPS costs<br>(Note: DOE recommends removing 4-year "ramp-up" for local school unit spending limits for units currently spending below EPS costs) | ⌖ Base local school unit spending limit on 100% of total state and local EPS costs; or adopt an alternative spending limit based on the unit's prior year spending above 100% of total state and local EPS costs that is multiplied by an as-yet-to-be-determined growth factor |
| SAU Spending Limit "Override" Process | ⌖ Requires a vote of the school unit's legislative body to exceed the spending limitation targets and also requires that additional local spending that exceeds the school unit's spending limit must be approved by voters in a referendum vote | COMMITTEE ACTION (1/6):<br>⌖ Case #1: For municipal units' where charter vests school budget approval in the municipal council:<br>(a) require a majority vote of total elected membership of both the school committee and the municipal council;<br>(b) require a separate vote on a separate article on the meeting agenda to identify that the override item is to be considered on its own merit; and<br>(c) If charter already has a petition mechanism in place, it should remain in place; if not, the municipality must permit reconsideration of vote if 10% of voters file a petition to either challenge approval or disapproval of addition spending<br><br>⌖ Case #2: For SADs, CSDs, municipal units and school unions currently using budget meeting or town meeting methods to approve school budgets are required to use a secret ballot to consider "overriding" the spending target<br><br>⌖ Case #3: For SADs, CSDs, municipal units and school unions currently using the referendum voting method to approve school budgets are required to add a separate "override" article on the school budget referendum and a description of the additional local spending above the spending target |
| Warrant Article Format | Provides specific language to be used for separate article on additional local spending exceeding the local school unit spending limit | NEED DECISION:<br>⌖ Adopt LD 1 referendum article language or alternative language for the separate article |

| EPS Funding Issue | LD 1 Proposal | Committee Status |
|---|---|---|
| Special Education | ⌖ Provides methods to fund special education costs (as an "other subsidizable cost") in the EPS funding formula<br><br>⌖ Directs the Commissioner to develop an appeals procedure for the calculated special education costs for school units | NEED DECISION:<br>⌖ How will the appeals procedure work and will it be specified in statute or in DOE rules, along with state-approved guidelines developed by DOE to identify children requiring special education services? |
| Transportation | ⌖ Provides methods to fund transportation costs (as an "other subsidizable cost") in the EPS funding formula and directs the Commissioner to develop an appeals procedure for the established per-pupil transportation costs for school units | NEED DECISION:<br>⌖ How will the appeals procedure work and will it be specified in statute or in DOE rules? |
| Regionalization Incentives | ⌖ LD 1 proposes to phase-in the amounts transferred (from ½ of 1% to 2% of EPS funding) for the educational efficiency fund over 4 years with DOE administering grants<br><br>⌖ Initiated bill approved in June requires the educational efficiency fund to be funded by an annual appropriation of 2% of funds appropriated for K-12 education (beginning in FY 05-06); and | NEED DECISION:<br>⌖ Resolve conflict over timing and amount of funds to be appropriated to the efficiency fund<br><br>⌖ Tabled consideration of proposals to add more detailed administration and oversight of this efficiency fund re: criteria, accounting and use of efficiency funds so that incentives may result in more efficient practices |

1

**TESTIMONY SIGN IN SHEET**

**Joint Standing Committee on__Tax Reform** _____

**LD: 1 & 2 Or Nomination of:** _____

**Date: 12/14/04**_____

| Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|
| Martha Freeman | SPO | ✓ | | |
| Susan Gendron | DOE | ✓ | | |
| Mike Camp | | | / | |
| left Gerald Mylroie | Cape Elizabeth | ✓ | | |
| ✓ Henry Jordan | Winthrop (MSMA) | | | ✓ |
| ✓ PATRICK STRESNEK | ME FOREST PRODUCTS | ✓ | | |
| ✓ Galen Lassalee | Knox | ✓ | | |
| ✓ Laughlin Titus | Maine Vegetable + Small Fruit Growers | ✓ | | |
| ✓ Patrice McCarron | Maine Lobster AS | ✓ | | |
| ✓ David Cousens | MLA / lobstermen | ✓ | | |
| ✓ Robert Snyder | ISLAND INSTITUTE | ✓ | | |
| ✓ Tim WALTON | FAYETTE | ✓ | | |
| ✓ MARY ADAMS | Gardiner | | ✓ | |
| ✓ ADAM LOACH | HERMON | | ✓ | ✓ |
| ✓ Catherine Valcourt | LTCOP | | | — |
| ✓ Rob Walker | MEA | | ✓ | |
| ✓ Kathy [illegible] | Waldo | | ✓ | |
| ✓ Shawn Lewin | Old Town | ✓ | | |
| ✓ Jon Olson | Farm Bureau | ✓ | | |
| ✓ Peter Crichton | Coalition of Cumberland | ✓ | | |

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**Joint Standing Committee on__Tax Reform** _____

**LD: 1 & 2 Or Nomination of:** _____

**Date: 12/14/04**_____

| Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|
| John Richardson | Sponsor | ✓ | | |
| Sen. Leo Edmonds | Co-sponsor | ✓ | | |
| Sen Dennis Damon | Sponsor #2 | ✓ | | |
| Rep Lyla Percy | Co sponson | ✓ | | |
| Martha Freeman | Director of State Planning | ✓ | | |
| Rep Steve Bowen | | ✓ | | |
| Rep. Tom Saviello | District 20 | ✓ | | |
| Rep. Hannah Pingree | | ✓ | | |
| Rep. Earl Crosby | ~~Topsham~~ Topsham | ✓ | | |
| Sen. Courtney | | ✓ | | |
| Susan Gendron | Commissioner of Education | ✓ | | |
| | | | | |
| Sen. Turner | | ✓ | | |
| Geoff Herman | MMA | ✓ | | |
| Kathy Littlefield | Waldo | ✓ | | |
| Bob Zugelmeier | President of Telford Aviation Services Inc. | | | |
| | | | | |

**TESTIMONY SIGN IN SHEET**

**Joint Standing Committee on** Tax Reform

**LD:** 1+2 **Or Nomination of:** _____

**Date:** 12/14/04

| Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|
| David Cousins | Lobsterman | ✓ | | |
| Bob Devlin | County Clerks Commission | Association | | |
| Marina DeLarue | Belfast | ✓ | | |
| John William | Maine Pulp + Paper | president | | |
| Betty Tellinhuisen | Cumberland, ME | | ✓ | |
| Robert Hendrain | Montreal Rail ? | | | |
| Russ Anderson | Maine Association of Independent Neighborhood | | | |
| Kleb | | | | |
| Tim Walton | Cumbro | | | |
| Mary Adams | Gardner | | | |
| Lauchlin Titus | Maine Veg and Small Fruit Growers | | | Association |
| Adam T. Leach | Bangor School History teacher | | | |
| Katherine Valcourt | Maine ombudsman.org | | | |
| Robert W. Walker | Maine Education Associate | | | |
| John Olsen | Maine Farm Bureau Association | | | |
| Terry Despres | Maine School Management Associate | | | |
| Patrick Strout | Maine Forest Product Council | | | |

**TESTIMONY SIGN IN SHEET**

**Joint Standing Committee on__Tax Reform** _____

**LD: 1 & 2 Or Nomination of:** _____

**Date: 12/14/04**_____

| Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|
| Steve Hobart | Maine Association Conservation Districts | | | |
| Mr. Mc Dermet | Maine Taxpayers Action Network | | | |
| Rosaire Pelletier | Fraser Paper, Inc Controller | | | |
| Dana Graham | President MSEA SEIU | ✓ | | |
| Shawn Lewin | Member AAPP Advocacy Team. | | | |
| William G Moulton | Pittston, ME | | | ✓ |
| Marlee Turner | Brownfield HD 97 | | | |
| Malcolm Whitland | Harpswell | | | |
| Barry Tibbets | Kennebunk Town Manager | | | |
| Jack Quirk | Bangor | ✓ | | |
| James Oliver | Controler Domtar Industries | | Baileyville | |
| Bob Howe | Maine County Commissioners | | | |
| Dana Connors | Maine State Chamber of Commerce | | "The Maine Plan" | |
| Chris Hart | gone | | | |
| Patrice McCarron | Executive Director Maine Lobsterman's Association | | | |
| Diane Goden | Registry of Deeds Somerset county | | | |
| Beverly Bustin Hathway | Registry of Deeds Kennebec. | ✓ | | |

**TESTIMONY SIGN IN SHEET**

**Joint Standing Committee on** Tax Reform

**LD:** 1 + 2 **Or Nomination of:** _____

**Date:** 12/14/04

| Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|
| | | | | |
| Peter Crichton Crafts | | ✓ | | |
| John Delahanty | Poland Spring Poland + Hollis. Water. | ✓ | | |
| Kathleen McGee | Maine CLF | | | |
| Rep. Barbara Merrill | Appleton | | | |
| Todd Brackett | Maine Association of Counties Sheriff of Lincoln County | | | |
| David Brennaman | Unum Provident | ✓ | ✓ LD 2 | |
| David Clough | National Federation of Independent Business | | | |
| David Bertrany | Attorney Direct Maribeth | | | |
| Scott Storey | Waldo / ME Sheriff Association | | | |
| Christopher St. John | Maine Center for Economic Policy | | | |
| John Melrose | submitted written | | | |
| Maria Fuenlez | " | | | |
| Jim McGregor | Maine Merchants Association | | | |
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TESTIMONY SIGN IN SHEET

Joint Standing Committee on__Tax Reform _____

LD: 1 & 2 Or Nomination of: _____

Date: 12/14/04_____

| Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|
| PATRICK STRAUCH | | | | |
| [illegible] | | | | |
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**TESTIMONY SIGN IN SHEET**

**Joint Standing Committee on__Tax Reform** _____

**LD: 1 & 2 Or Nomination of:** _____

**Date: 12/14/04**_____

| | Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|---|
| ✓ | ANTHUR McDERMOTT | MTAM | | ✓ | |
| ✓ | Dana Graham | MSEA | ✓ | | |
| ✓ | William Multin | Pittston | | | ✓ |
| Left | Darrel Fournier | Freeport | | | ✓ |
| ✓ | Barry Tibbetts | Kennebunk | | ✓ | ✓ |
| ✓ | Bob Howe | County govt. | ✓ | | |
| ✓ | JACK QUIRK | BANGOR. | ✓ | | |
| ✓ | Jim OLIVER | DOMTAR INDUSTRIES | ✓ | | |
| ✓ | DANA CONNORS | MAINE CHAMBER | ✓ | | |
| Left | Chris Harte | | ✓ | | |
| ✓ | Beverly Dustin - Hathaway | Reg. of Deeds | ✓ | | |
| ✓ | Diane Dodin | Reg of Deeds | | | ✓ |
| ✓ | Valerie Johnson | And. Co commissioner | | | |
| ✓ | Rosaire Pelletier | Fraser Papers | ✓ | | |
| Left | BOB PERCITE | SAFE HANDLING | — | | |
| ✓ | JOHN WILLIAMS | MPPA | ✓ | | |
| ✓ | Dick Gibson | | ✓ | | |
| ✓ | Dennis Damon | Senate | ✓ | | |
| ✓ | Leola Jane Percy | House | ✓ | | |

**TESTIMONY SIGN IN SHEET**

**Joint Standing Committee on__Tax Reform** _____

**LD: 1 & 2 Or Nomination of:** _____

**Date: 12/14/04**_____

| Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|
| ✓ JOHN DELAHANTY | Atty. for Poland Spring | ✓ | | |
| ✓ Russ Anderson | Waldoboro / Midcoast | | | ✓ |
| ✓ Mary Henderson | Maine Equal Justice | | | ✓ |
| left DANA LEATH | ISLAND INSTITUTE | | | |
| ✓ DAVID CLOUGH | NFIB | | | ✓ |
| ✓ Marina Delano | Belfast, Landlady, Waldo County Progressive Caucus | | | ✓ |
| ✓ Catherine Valcourt | LTCOP | | | — |
| ✓ ROBERT C. GRUNDIG | MONTREAL, MAINE & ATLANTIC RWY | ✓ | | |
| ✓ David Brenerman | Unum Provident Corp | ✓ | | |
| ✓ Malcolm B. Whiddon | citizen Town of Otisfield | ✓ L.D. 2 | | |
| ~~PATRICK STRAMER~~ listed on previous page | ~~ME FOREST PROD COUNCIL~~ | ✓ | | |
| ✓ Bette Tellinghuisen | Cumberland | | ✓ both LD1 & 2 | |
| ✓ TODD BRACKETT | MAINE ASSOC. OF COUNTIES | | | ✓ |
| ✓ Kathleen McGee | Maine Citizen Leadership Fund | | | ✓ |
| left Henry Meade | City of Portland | | | ✓ |
| ~~Maria Fluentes~~ | ~~MBTA~~ | | | ✓ |
| ~~J. Melrose~~ | ~~McSamara Centers~~ | | | ✓ |

**TESTIMONY SIGN IN SHEET**

**Joint Standing Committee on__Tax Reform** _____

**LD: 1 & 2 Or Nomination of:** _____

**Date: 12/14/04**_____

| Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|
| Shawn Lewin | | | | |
| Scott Story | Maine Sheriffs | | | X |
| Rep. Barbara Merrill | | ✓ | | |
| ~~Oakley Jones~~ | ~~Yarmouth~~ Maine State Federation Firefighters | ✓ | | |
| ~~Richard DeGroot~~ | ~~Madawaska~~ | | | |
| Christopher Toth | ME Ctr for Fiscal Equity | | | |
| left Alice Knapp | Chairman, Richmond Board of Selectmen | | | X |
| left Jerry T. White | MSAD #65 | ✓ | | |
| David Bertocci | Yarmouth | | X | |
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**TESTIMONY SIGN IN SHEET**

**Joint Standing Committee on__Tax Reform** _____

**LD: 1 & 2 Or Nomination of:** _____

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| ✓ Scott Story | Maine Sheriffs | | | X |
| Rep. Barbara Merrill | | ✓ | | |
| ~~Oakley Jones~~ | ~~Yarmouth~~ Maine State Retirees Fire Fighters | ✓ | | |
| ~~Richard DeCyr~~ | ~~MSDAAOGA~~ | | | |
| ✓ Christopher Toth | Me Ctr for Fiscal Ble | | | |
| left Alice Knapp | Chairman, Richmond Board of Selectmen | | | X |
| left Jerry T. White | MSAD #65 | ✓ | | |
| ✓ David Bertoni | Yarmouth | | X | |
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Governor's Bills
LD 1 and LD 2

Martha Freeman, State Planning Office Director
Dec. 7, 2004

Joint Select Committee on Property Tax Reform

- The Governor and those of us from the Administration here today are pleased to be meeting with you. Thank you for this opportunity.

- We look forward to working with you over the next several weeks to accomplish our collective task of providing property tax reform for Maine people.

- I want to thank the Administration officials with me today—those from Administrative and Financial Services and Education—who've worked tirelessly to bring these Governor's bills before you.

- You'll begin to hear from these folks in a minute.

- But first let me say that we believe the Governor's bills offer a balanced package of tax reduction proposals aimed at providing property tax relief to all Maine residents

- In developing these proposals we focused on 4 principles:

  - Providing a solution that sets aside special interests in favor of the broad public interest

  - Reducing the tax burden for all Maine residents, especially those who need help the most

  - Improving our business climate, and

  - Respect for local decision-making.

- We believe strongly that the Governor's proposals offer a blueprint for providing property tax relief for all Maine residents.

- We look forward to working with your committee to fashion a final product that meets our principles and gives the Maine people what they want: property tax relief for all Maine residents.

- To help you with our presentation today, I've provided each of you with a listing of which Administration officials can comment best on the two LDs and their Parts. Thank you again for this opportunity to meet with you.

**ADMINISTRATION OFFICIALS ASSIGNED TO PARTS OF LD 1 AND LD 2**

| | | |
|---|---|---|
| **LD 1** | | |
| Part A | State Spending Cap | Mike Allen and Becky Wyke, DAFS |
| Part B | Intergovernmental Advisory Group | Martha Freeman, SPO |
| Part C | Municipal Spending Cap | Mike Allen, DAFS |
| Part D | School Spending | Jim Rier and Sue Gendron, DOE |
| Part E | County Spending Cap | Mike Allen, DAFS |
| Part F | Maine Residents Property Tax Program (circuit breaker) | Jerome Gerard, DAFS |
| Part F | BETR Accounting | Jerome Gerard, DAFS |
| Part F | Property Tax Deferral Program | Peter Merrill, MSHA |
| Part G | Plantation Spending Cap | Mike Allen, DAFS |
| Part H | Tax Reduction Goal | Mike Allen, DAFS |
| Part H | Fund for Efficient Delivery of Educational Services | Jim Rier and Sue Gendron, DOE |
| Part H | Fund for Efficient Delivery of Local and Regional Services | Martha Freeman, SPO |
| **LD 2** | Homestead Land Valuation | Jerome Gerard, DAFS |

**STAFF SUMMARY OF LD 1, An Act To Increase the State Share of education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels (Emergency)**

| PART | SUMMARY |
|---|---|
| A | 1. Establishes limitation on increase in annual GF appropriations by establishing a growth factor equal to one plus the 10 year average real personal income growth rate plus the average forecasted inflation rate. |
| | 2. Repeals and reestablishes the Maine Budget Stabilization Fund (MBSF)<br>A. MBSF is capped at 12% of GF revenues and may not be reduced below 1% of GF revenue except in case of declared budget emergency<br>B. Amounts in the fund may be expended to offset the amount by which the GF appropriation limitation exceeds forecasted GF revenues and other available resources.<br>C. Provides that investment proceeds exceeding the 12% cap will be transferred to Retirement Allowance Fund |
| | 3. Changes year-end budget transfers<br>Transfer — Current law — LD 1<br>Year-end GF — unapprop surplus — excess revenue<br>to MBSF — 32% — 32%<br>to Retirement Allowance Fund — 32% — 32%<br>to Working Capital Reserve — 16% — 16%<br>to Loan Insurance Reserve (FAME) — $1 Mil — ???<br>Remaining GF balance — Remains in GF<br>Forecasted GF revenue exceeding appropriation limitation — to MBSF |
| | 4. Provides that if Legislature has adjourned sine die and Commissioner of DAFS declares that GF resources are insufficient not meet GF appropriations the Governor may reduce the MBSF below 1% to bring budget back into balance |
| | 5. Provides that departments and agencies seeking Highway fund allocations must limit requests to a growth factor of one plus the 10 year average real personal income tax growth rate. This limitation does not apply to highway and bridge improvement accounts. |
| | 6. Requires Revenue Forecasting Committee in December biennial report to calculate long-term economic growth rate limitation (10 year average real personal income growth plus average forecasted inflation). |
| B | Expands duties of Intergovernmental Advisory Committee to include identification of best management practices that facilitate property tax |

| | |
|---|---|
| | reduction pursuant to increasing state share of EPS. |
| **C** | Establishes limitation on municipal spending by limiting property tax revenue growth to an income growth factor plus a property growth factor. In years where the state and local tax burden is in the top 1/3 of states, the income growth factor is limited to 2.75%. |
| **D** | 1. Establishes a cap on the growth in the total cost of Essential Programs and Services and requires a vote of the Legislature to override the limitation. |
| | 2. Accelerates the transition for the State to fund 55% of the total cost of EPS by one year (from FY 2009-10 to FY 2008-09) |
| | 3. Establishes maximum state and local spending targets for school administrative units and requires a vote of the legislative body of the SAU in order to exceed the limitation. |
| | 4. Defines transportation and special education costs under EPS. |
| | 5. Makes technical changes due to the repeal of Title 20-A, Chapter 606 and the implementation of Essential Programs and Services. |
| **E** | Establishes a limitation on county spending by limiting growth of the assessment on municipalities to an income growth factor plus a property growth factor. In years where the state and local tax burden is in the top 1/3 of states, the income growth factor is limited to 2.75%. |
| **F** | 1. During period of transition to 55% state EPS funding, the appropriation for reimbursing municipalities for homestead exemptions must remain be at least $36,000,000 annually. Year end balances must be transferred to the circuit breaker reserve account. |
| | 2. Changes basic transfers to the circuit breaker reserve. Current law requires the transfer of amounts needed to provide benefits. LD 1 requires that for FYs 07-09, the transfer equals the amount forecasted as necessary for benefits by the Revenue Forecasting Committee in its 12/1/04 report as adjusted by the State Tax Assessor to reflect subsequent statutory changes. Beginning in FY 10 and until state funding of EPS reached 55%, the RFC must assume that funding for EPS was never enacted.(???) |
| | 3. By August 15, 2007 and annually thereafter, the State Tax Assessor shall determine an amount by which the maximum circuit breaker benefit may be increased using the amounts in the circuit breaker reserve. |

| | |
|---|---|
| | 4. Income eligibility levels for the circuit breaker program are raised to $50,000 for a single member household and $70,000 for a multiple member household for applications filed beginning August 1, 2005. |
| | 5. Changes funding for the BETR program from a GF appropriation to a reduction from GF revenue in the individual income tax category. Deappropriates 78.1 million in FY 06 and $83.0 million in FY 07 from the BETR program. Results in loss of $4.1 million in FY 06 and $4.3 million in FY 07 from the Local Government Fund (revenue sharing). |
| | 6. Directs State Tax Assessor to study the circuit breaker program, examine how to increase the maximum benefit and the potential benefits of making the benefit a part of the income tax. |
| | 7. Directs the Maine State Housing Authority to develop a plan to issue bonds to support a property tax deferral program to permit the persons to defer taxes on their principal residences that exceed 6% of their income. |
| **G** | Provides that municipal appropriation/property tax limitations apply to plantations. |
| **H** | 1. Establishes goal of reducing Maine's state and local tax burden to the national average by 2015. |
| | 2. Directs the Governor to establish and appoint an independent commission to assess and report on the progress made by all government levels in achieving the goal of national average state and local tax burden. The commission reports annually beginning January 15, 2006 to the Joint Standing Committee on Taxation. Commission may recommend strategies to achieve goal. |
| | 3. Establishes 4-year phase-in of contributions to the Fund for the Efficient Delivery of Educational Services to reach 2% of GPA by FY 09. Department of Education directed to establish criteria for use of the fund. |
| | 4. Directs Department of Administrative and Financial Services to distribute the Fund for the Efficient Delivery of Local and Regional Services through competitive grants and planning grants to municipalities that demonstrate significant and sustainable savings through efficiencies or regional efforts. |
| **Emergency clause** | Bill takes effect when approved (unless other dates established in the bill). |

# Essential Programs& Services Funding Model Briefing

Joint Select Committee on Property Tax Reform

# Goal

**The goal of Maine's Essential Programs and Services Model is to insure that all schools have the programs and services that are essential if all students are to have equitable educational opportunities to achieve Maine's *Learning Results*.**

# Brief History

**1996:** Legislature passed the Maine Learning Results.

**1997:** Legislature requested Maine State Board of Education to develop a new funding model for the Learning Results.

**1999:** Essential Programs and Services Task Force issued a report.

**2000:** Legislature endorsed EPS *Concept* and requested additional work.

**2002:** Legislature endorsed *Components* of EPS Model and requested the development of Transition Plan.

**2003:** EPS Legislation passed by the Legislature and signed into law by Governor Baldacci.

**2005:** Implementation of EPS begins with Fiscal Year 2005-06.

# All Students Achieving the Maine Learning Results

***means***

**"Achieving common ends through uncommon means"**

- Adequate resources based on each child's unique needs.
- Distribution and use of resources is best determined at the local school district level.

# What Instructional Areas Are Included in Essential Programs & Services?

**All programs and courses that Maine schools offer to all students so that they may meet Maine's *Learning Results* standards:**

- Career Preparation
- English Language Arts
- Health & Physical Education
- Mathematics
- Modern and Classical Languages
- Science and Technology
- Social Studies
- Visual and Performing Arts

# What Types of Resources & Services are Included in Maine's Essential Programs & Services?

**A. School Personnel**

1. Regular classroom and special subject teachers
2. Education technicians
3. Counseling/guidance staff
4. Library staff
5. Health staff
6. Administrative staff
7. Support/clerical staff
8. Substitute teachers

**B. Supplies and Equipment**

**C. Resources for Specialized Student Populations**

1. Special needs pupils
2. Limited English Proficiency (LEP) pupils
3. Disadvantaged pupils
4. Primary (K-2) grade pupils

**D. Specialized Services**

1. Professional development
2. Instructional leadership support
3. Student assessment
4. Technology
5. Co-curricular and extra-curricular student learning

**E. District Services**

1. System administration
2. Maintenance of operations

**F. School Level Adjustments**

1. Vocational Education
2. Transportation
3. Small schools
4. Debt services

# What is Required To Achieve Adequate Funding in every school?

- The amount of money in support of each child must be sufficient, based on each child's unique needs. It must be enough for salaries, instructional materials & supplies, operation & maintenance of facilities, etc.).
- The additional costs of special needs students (Special Education, LEP - Limited English Proficiency, Disadvantaged Youth, etc.) must also be recognized.

# Briefing on Parts D and H-2 of L.D. 1

Senator Damon, Representative Woodbury and Members of the Joint Standing Committee on Property Tax Reform:

My name is Susan Gendron and I am the Commissioner of Education. I will be briefing you on Parts D and H-2 of L.D. 1 An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.

The purpose of these parts of the bill is multiple; (1) to fully implement the Essential Programs and Services (EPS) Model for Education Funding, (2) to implement the June 2003 citizen initiative for the funding of education at 55%, special education at 100% and establishing a fund for the efficient delivery of education and (4) to establish spending limits at the state and local levels for education.

Part D Components:

- Changes all citations from Chapter 606 "School Finance Act of 1985" to Chapter 606-B "Essential Programs and Services Funding Act" due to the repeal of Chapter 606 "School Finance Act of 1985" as of July 1, 2005.
- Moves definitions from Chapter 606 to 606-B.
- Establishes a limit on the growth of the total cost of the components of Essential Programs and Services (EPS). The total costs may not exceed:
    - One plus the average real personal income growth rate;
    - Except that in no case may that rate exceed 2.75%;
    - Beginning after the state ranks in the middle 1/3 of all states, as certified by the State Tax Assessor may not exceed the prior fiscal year's costs multiplied by one plus the average personal income growth rate;

- By an affirmative vote of the Legislature the rate may be adjusted to reflect increases in the components of Essential Programs and Services (EPS).

- Implements a four year plan for achieving 55% state funding of education (see attached graphs).
- Establishes a maximum local cost share expectation not to be exceeded unless there is an affirmative vote of the citizens.
- Establishes a four year transition for all communities below the local required commitment for education.
- Defines the Special Education component of Essential Program and Services (EPS).
    - Establishes an additional weight of at least 1.2 but not greater than 1.4 for each identified special education student up to a maximum of 15% of the school administrative units' resident pupils;
    - Establishes a weight of .38 for students above the 15% maximum;
    - Establishes a maximum growth at .5% in any given year for school administrative districts below the 15% maximum;
    - Establishes adjustments for high cost in-district and out-of-district special education students;
    - Ensures that the school administrative unit meets the federal maintenance of effort requirement for receiving federal Individuals with Disabilities Education Act funds;
    - Requires the Commissioner to establish an appeals process;
    - Establishes defined costs for Transportation Cost within Essential Program and Services
        - Predicted costs are based on the number of resident pupils, the number of miles of roads, plus approved adjustments (special education, ferry services, vocational education)

- Requires the Commissioner to establish an appeals process
- Establishes a necessary small unit adjustment
- Establishes per-pupil rates for units that do not operate schools (see attached template)

Part H-2 Fund for the Efficient Delivery of Educational Services:

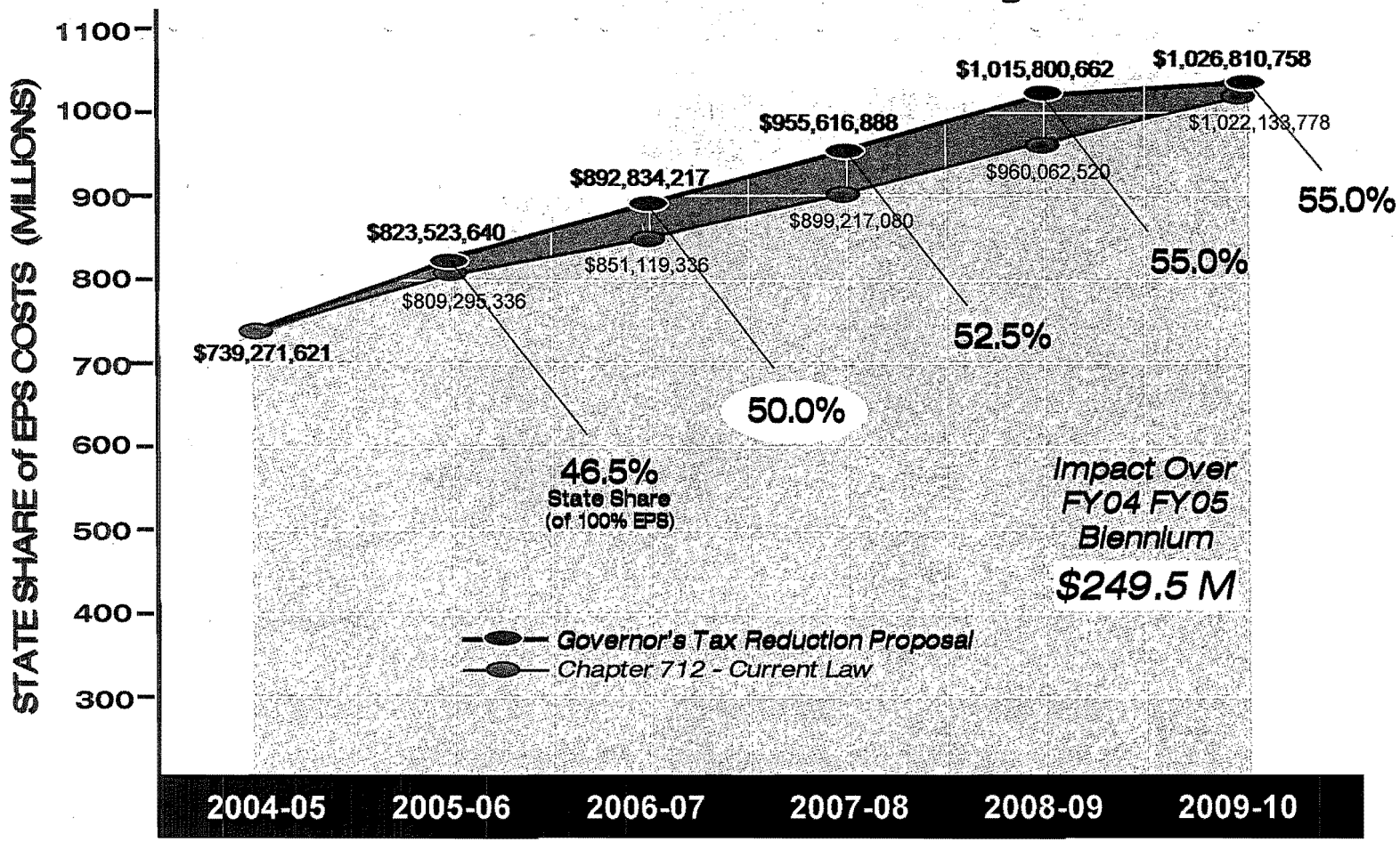
- Establishes a fund in response to the Citizens Initiative to set aside 2% of General Purpose for assisting school administrative units in developing strategies to achieve efficiencies, encourage collaborations, and joint delivery of services.
- The fund would begin at 0.5% of General Purpose Aid in 2006 and increase each year by 0.5% reaching 2% in 2009 to coincide with the full implementation of 55% state share of funding for education.

# Education Funding & Property Tax Relief

## State Share of Funding Public Education K-12

*Chapter 712 Requirements plus: Achieve 50% State Share by FY07, and Shorten Phase-In to Four Years*

## Governor's Tax Reduction Proposal

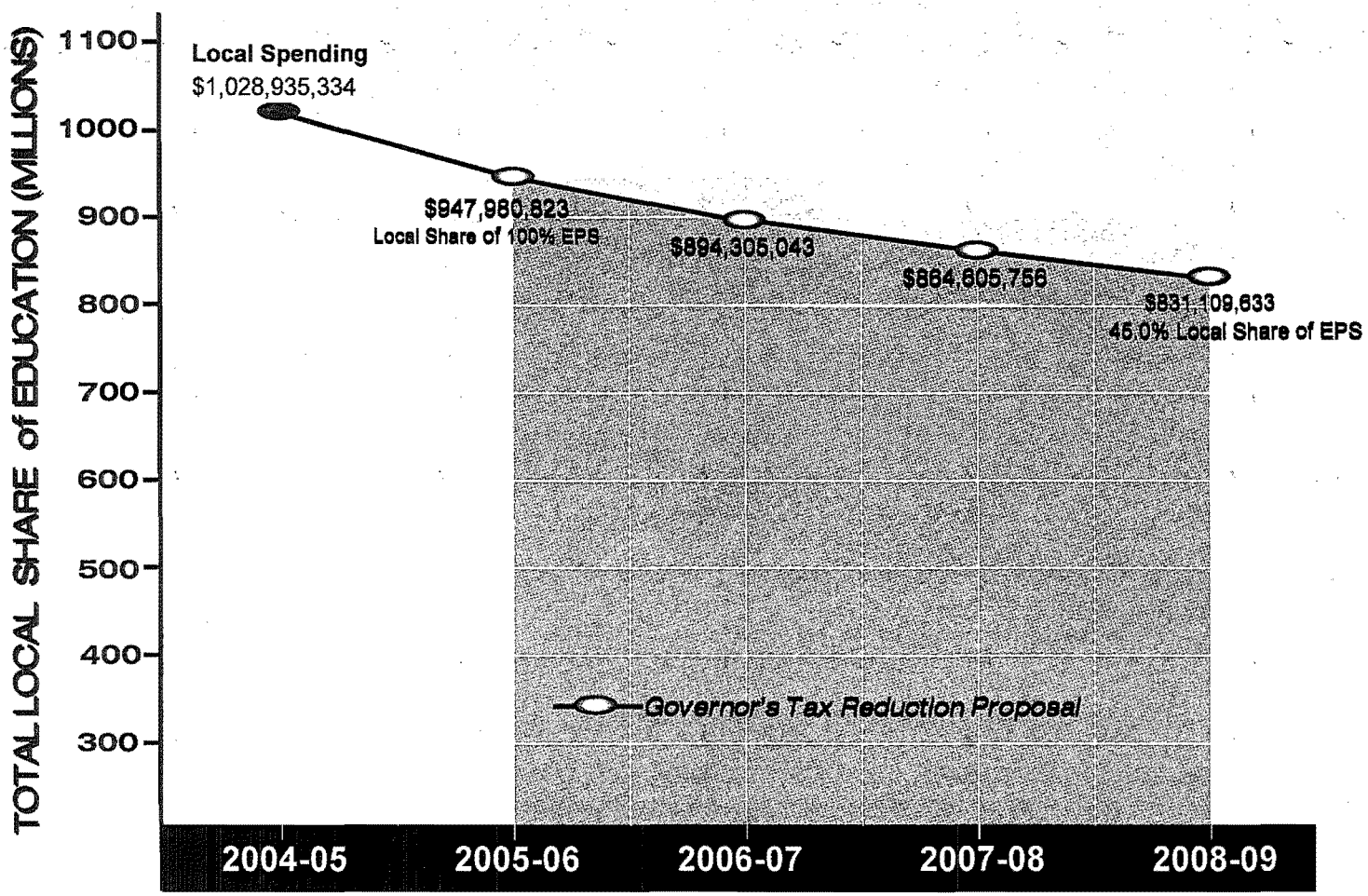



J.E. Rier 11-29-04
Department of Education

# Education Funding & Property Tax Relief

## Total Local Share of Education Costs

## Governor's Tax Reduction Proposal




J.E. Rier 11-29-04
Department of Education

**Operating Costs**

## Key EPS Components - For Operating Costs

- **Student Demographics**
  *(SAU Pupil Counts for K-5, 6-8, 9-12 and Specialized Student Populations)*
- **EPS Per Pupil Rate for Each SAU**
  *(Per Pupil Amounts Tailored for Each Unit Which Reflect Costs for Personnel, Administration, & Instructional Support)*
- **Weighted Amounts**
  *(Additional Per Pupil Amounts for Limited English Proficiency (LEP) and Economically Disadvantaged Pupils)*
- **Special Education Weighted Amounts**
  *(Additional Per Pupil Amounts for Special Education Students)*
- **Targeted Amounts**
  *(Additional Per Pupil Amounts for K-2 Pupils, Assessments, and Technology Resources)*

**Operating Costs**

## Total Operating Cost Calculations SAU#99

| Total Population | | | | Pupils | | EPS Rate | | Total Allocation |
|---|---|---|---|---|---|---|---|---|
| • K-8 Pupils | | | | 786.5 | X | $5369.00 | = | $4,222,718.50 |
| • 9-12 Pupils | | | | 401.5 | X | $5631.00 | = | $2,260,846.50 |
| | | | | | | | | **$6,483,565.00** |
| **Weighted Amounts** | | EPS wt. | | | | | | |
| • Disadvantaged | K-8 | .15 | X | 384 | X | $5369.00 | = | $309,254.40 |
| | 9-12 | .15 | X | 196 | X | $5631.00 | = | $165,551.40 |
| • Limited English | K-8 | .50 | X | 4 | X | $5369.00 | = | $10,738.00 |
| | 9-12 | .50 | X | 4 | X | $5631.00 | = | $11,262.00 |
| | | | | | | | | **$496,805.80** |
| **Special Education** | | | | | | | | |
| • Up to 15% | K-8 | 1.30 | X | 118 | X | $5369.00 | = | $823,604.60 |
| | 9-12 | 1.30 | X | 60 | X | $5631.00 | = | $439,218.00 |
| • Over 15% | K-8 | .38 | X | 35 | X | $5369.00 | = | $71,407.70 |
| | 9-12 | .38 | X | 8 | X | $5631.00 | = | $17,118.24 |
| | | | | | | | | **$1,351,348.54** |
| **Targeted Amounts** | | EPS wt. | | | | | | |
| • Assessment K-12 | | | | 1188 | X | $100.00 | = | $118,800.00 |
| • Technology K-12 | | | | 1188 | X | $175.00 | = | $207,900.00 |
| • K-2 Pupils | | .10 | X | 220 | X | $5369.00 | = | $118,118.00 |
| | | | | | | | | **$444,818.00** |

**Total EPS Operating Costs $8,776,537.34**

5

# Overview of Maine's Essential Programs & Services Funding Model:

# An "Adequacy" Based Plan

Joint Select Committee on Tax Reform

December 15, 2004

## Goal

The goal of Maine's Essential Programs and Services Model is to insure that all schools have the programs and services that are essential if all students are to have equitable educational opportunities to achieve Maine's *Learning Results*.

## Brief History

**1996**: Legislature passed the Maine Learning Results.

**1997**: Legislature requested Maine State Board of Education to develop a new funding model for the Learning Results.

**1999**: Essential Programs and Services Task Force issued a report.

**2000**: Legislature endorsed EPS *Concept* and requested additional work.

**2002**: Legislature endorsed *Components* of EPS Model and requested the development of Transition Plan.

**2003**: EPS Legislation passed by the Legislature and signed into law by Governor Baldacci. Chapter 606B

**2004**: EPS Enhancements, School Funding Law changes, and Increased State Share Requirements Enacted Chapter 712

## Instructional Areas Included in Essential Programs & Services

- Career Preparation
- English/Language Arts
- Health & Physical Education
- Mathematics
- Modern and Classical Languages
- Science and Technology
- Social Studies
- Visual and Performing Arts

## The Types of Resources & Services included in Essential Programs & Services

**A. School Personnel**

1. Regular classroom and special subject teachers
2. Education technicians
3. Counseling/guidance staff
4. Library staff
5. Health staff
6. Administrative staff
7. Support/clerical staff
8. Substitute teachers

**B. Supplies and Equipment**

**C. Resources for Specialized Student Populations**

1. Special needs pupils
2. Limited English Proficiency (LEP) pupils
3. Disadvantaged pupils
4. Primary (K-2) grade pupils

**D. Specialized Services**

1. Professional development
2. Instructional leadership support
3. Student assessment
4. Technology
5. Co-curricular and extra-curricular student learning

**E. District Services**

1. System administration
2. Maintenance of operations

**F. School Level Adjustments**

1. Transportation
2. Small isolated schools
3. Vocational education
4. Debt services

# A. School Personnel Costs

Based on: (1) EPS Guiding Personnel Ratios, (2) most recent school district and state staff profiles for salaries and benefits, and (3) regional salary differences.

## Maine's Essential Programs & Services Guiding Personnel Ratios

| Personnel | Elementary Level | Middle Level | Secondary Level |
|---|---|---|---|
| Classroom & Special Subject Teachers | 1-17* | 1-16 | 1-15 |
| Education Technicians | 1-100 | 1-100 | 1-250 |
| Guidance Staff | 1-350 | 1-350 | 1-250 |
| Library Staff: | | | |
| Librarian | 1-800 | 1-800 | 1-800 |
| Media Assistant | 1-500 | 1-500 | 1-500 |
| Health Staff | 1-800 | 1-800 | 1-800 |
| School Administrative Staff | 1-305 | 1-305 | 1-315 |
| Clerical Staff | 1-200 | 1-200 | 1-200 |

* Additional K-2 adjustment included in the model.

# Example of Salary Index Matrix*

(Based on All Maine Teachers Currently Employed, excluding Special Education Teachers)

| Experience Category (Years in Education) | Education Category | | | | |
|---|---|---|---|---|---|
| | BA only | BA+15 or +30 | MA or MA+15 | MA+30 or CAS | Doctorate |
| 0 | 1.00 | 1.04 | 1.15 | 1.24 | 1.29 |
| 1-5 | 1.08 | 1.12 | 1.23 | 1.32 | 1.37 |
| 6-10 | 1.22 | 1.27 | 1.38 | 1.46 | 1.52 |
| 11-15 | 1.41 | 1.46 | 1.57 | 1.65 | 1.71 |
| 16-20 | 1.60 | 1.64 | 1.75 | 1.84 | 1.89 |
| 21-25 | 1.70 | 1.74 | 1.85 | 1.94 | 1.99 |
| 26-30 | 1.75 | 1.79 | 1.90 | 1.99 | 2.04 |
| 31+ | 1.78 | 1.82 | 1.93 | 2.02 | 2.07 |

* Salaries adjusted for regional differences.

# B. Supplies and Equipment Costs

- Cost based on analysis of K-8 and 9-12 average statewide expenditures and expenditures of higher performing schools.

# C. Resources for Specialized Student Populations

1. **Special Needs Pupils**
   - 2.4 weighted pupil count up to a maximum of 15% of an SAU's resident enrollment
   - Adjustments
     - a. Prevalence rate above 15% calculated at 0.8 weighted pupil count
     - b. Districts with fewer than 20 special needs pupils adjusted for staffing ratios and cost of related services
     - c. High cost in-district pupils (3x statewide special education EPS rate)
     - d. High cost out-of-district pupils (4x statewide special education EPS rate)
     - e. Maintenance of Effort (Federal IDEA)

2. **Limited English Proficiency (LEP) Pupils**

   Three level weighted pupil count formula ranging from 1.30 to 1.60, depending on the total number of LEP pupils in a school district.

3. **Economically Disadvantaged Pupils**

   A 1.15 weighted pupil count for each child in a school district eligible for free or reduced lunches.

4. **Grade K-2 Pupils**

   A 1.10 weighted pupil count for each child in grades K-2 in a school district. (Targeted funds)

# D. Specialized Services Costs

1. **Professional development:**
2. **Instructional leadership support:**
3. **Student assessment: (Targeted funds)**
4. **Technology resources: (Targeted funds)**
5. **Co- & extra curricular:**

➢Based on Information Provided by School Administrative Units.

# E. District Services

1. **System Administration:** ➢ Based on statewide average expenditures.
2. **Maintenance of Operations:** ➢ Based on statewide average expenditures.

# F. School Level Adjustments

1. **Transportation**
   - Unique predicted cost calculation for each school administrative unit based on its pupil density
   - Adjustments:
     - a. Vocational education transportation
     - b. Out-of-district special education transportation
     - c. Ferry costs
     - d. Transportation of homeless students
     - e. Transportation for Island SAUs
2. **Small Isolated Schools**
   - Elementary Schools: 10% transition adjustment in EPS rate
   - Secondary schools: lower student – teacher ratios for schools with 200 or fewer students
   - Island schools:
     - a. elementary and secondary adjustments
     - b. 13% – 26% adjustment for operation and maintenance expenses
     - c. Reimbursement of transportation expenditures

# F. School Level Adjustments (Continued)

3. **Vocational Education**

   Current practice, until new funding approach is developed.

4. **Debt Service:**

   Current practice.

# EPS Per Pupil Guarantee

- Unique to each Maine School District, depending upon:
  - Student Demographics
  - Staff experience and education levels
  - Regional location in the state.
- Distribution and use of resources determined uniquely by each Maine school district (with targeted plans in the areas of K-2, assessment, and technology).

Essential
**Programs & Services**

***Integrated with Tax Policy Proposals***

*Joint Select Committee on Tax Reform*

*December 15, 2004*

# Essential Programs & Services

## Integrated with Tax Policy Proposals

Joint Select Committee on Tax Reform

December 15, 2004

# Essential Programs & Services

## The Concept:

- Essential Programs and Services is designed to insure that all schools have the programs and resources that are essential for all students to have an equitable opportunity to achieve Maine's Learning results
- The EPS model provides a basis for adequacy and greater equity in the funding of K-12 education because it is cost driven instead of expenditure driven
- The model is designed to respond to student needs and is based on years of research and information gleaned from high performing cost effective school units

## Applying the EPS Model to FY2006

**100% EPS Model**
$1,774,007,664
State & Local

**Adjustments**
$48,037,274
State Agency Clients & Wards
Other Misc. Costs
3%

**Debt Service**
$88,665,631
Major Capital Construction Debt
Temporary Lease Space
Purchase Conversions
5%

**Other Subsidizable Costs**
$339,867,236
Special Education
Transportation
Vocational Education
Gifted & Talented
19%
Included in LD-1

**Operating Costs**
$1,297,437,503
Salary and Benefits
System Administration
Operation & Maintenance
Supplies & Equipment
Other Instructional Support
73%
Chapter 606B PL2003

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**Operating Costs**

## Key EPS Components - For Operating Costs

- **Student Demographics**
  (SAU Pupil Counts for K-5, 6-8, 9-12 and Specialized Student Populations)
- **EPS Per Pupil Rate for Each SAU**
  (Per Pupil Amounts Tailored for Each Unit Which Reflect Costs for Personnel, Administration, & Instructional Support)
- **Weighted Amounts**
  (Additional Per Pupil Amounts for Limited English Proficiency (LEP) and Economically Disadvantaged Pupils)
- **Targeted Amounts**
  (Additional Per Pupil Amounts for K-2 Pupils, Assessments, and Technology Resources)
- **Regional Cost Adjustment**
  (Salaries & Benefits Adjusted for SAU Labor Market Area)

**Operating Costs**

## Total Operating Cost Calculations SAU#99

| Total Population | | | | Pupils | | EPS Rate | | Total Allocation |
|---|---|---|---|---|---|---|---|---|
| • K-8 Pupils | | | | 786.5 | X | $5369.00 | = | $4,222,718.50 |
| • 9-12 Pupils | | | | 401.5 | X | $5631.00 | = | $2,260,846.50 |
| | | | | | | | | **$6,483,565.00** |
| **Weighted Amounts** | | EPS wt. | | | | | | |
| • Disadvantaged | K-8 | .15 | X | 384 | X | $5369.00 | = | $309,254.40 |
| | 9-12 | .15 | X | 196 | X | $5631.00 | = | $165,551.40 |
| • Limited English | K-8 | .50 | X | 4 | X | $5369.00 | = | $10,738.00 |
| | 9-12 | .50 | X | 4 | X | $5631.00 | = | $11,262.00 |
| | | | | | | | | **$496,805.80** |
| **Targeted Amounts** | | EPS wt. | | | | | | |
| • Assessment K-12 | | | | 1188 | X | $100.00 | = | $118,800.00 |
| • Technology K-12 | | | | 1188 | X | $175.00 | = | $207,900.00 |
| • K-2 Pupils | | .10 | X | 220 | X | $5369.00 | = | $118,118.00 |
| | | | | | | | | **$444,818.00** |
| **Regional Cost Adjust** | | | | | | | | |
| • Total Salaries & Benefits $4,504,527 X .94 - 4,504,527 = | | | | | | | | $(270,271.62) |
| **Total Operating Costs** | | | | | | | | **$7,154,917.18** |

## Applying The EPS Model to FY2006

**100% EPS Model**
$1,774,007,664
State & Local

**Adjustments**
$48,037,274
State Agency Clients & Wards
Other Misc. Costs
3%

**Debt Service**
$88,665,631
Major Capital Construction Debt
Temporary Lease Space
chase Conversions
5%

**Other Subsidizable Costs**
$339,867,236
Special Education
Transportation
Vocational Education
Gifted & Talented
19%
Included in LD-1

**g Costs**
437,503
Benefits
dministration
& Maintenance
Equipment
uctional Support
73%
ter 606B PL2003

Other Susidizable Costs

## Key EPS Components - Other Subsidizable Costs

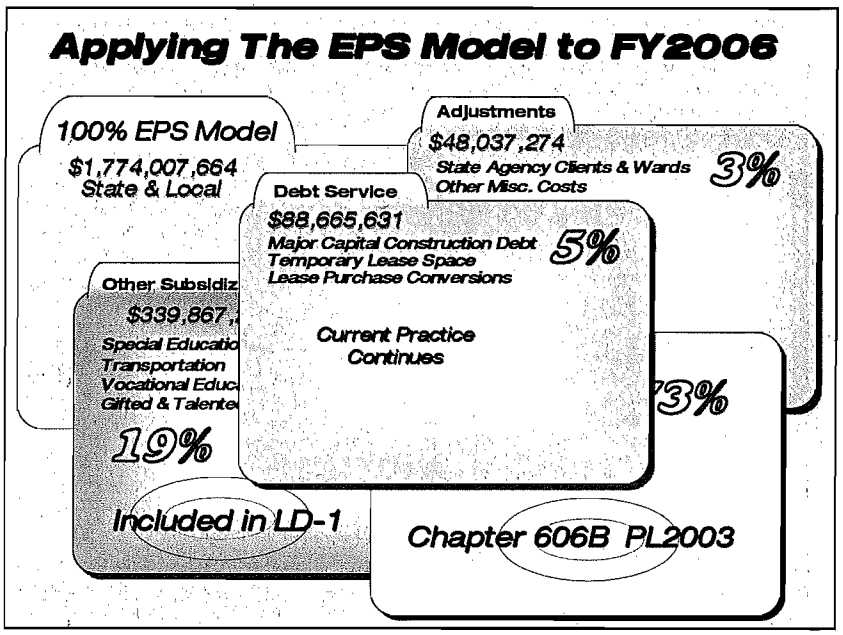
- **Special Education**
  *(Weighted Per Pupil Amounts for for each Special Education Student Plus Adjustments for High Cost In-District and Out of District Placements*
- **Transportation**
  *(Costs for Transportation Based on the Number of Pupils, the Number of Road Miles and Other Adjustments*
- **Vocational Education**
  *(An Allocation for Vocational Education Programs Based on Prior Year Expenses - No Change from Current Law*
- **Gifted & Talented Programs**
  *(An Allocation for Gifted & Talented Programs Based on Prior Year Approved Expenses - No Change from Current Law*

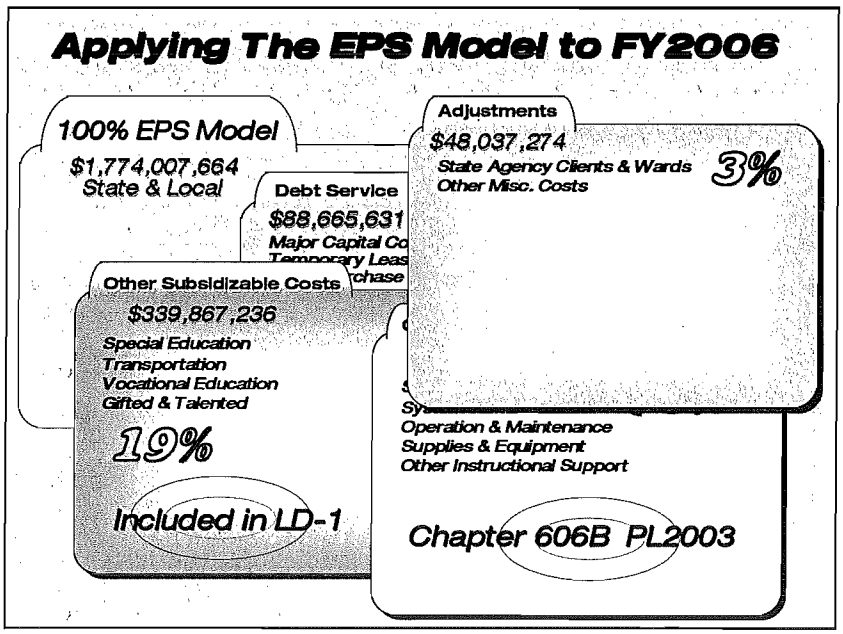
Other Subsidizable Costs

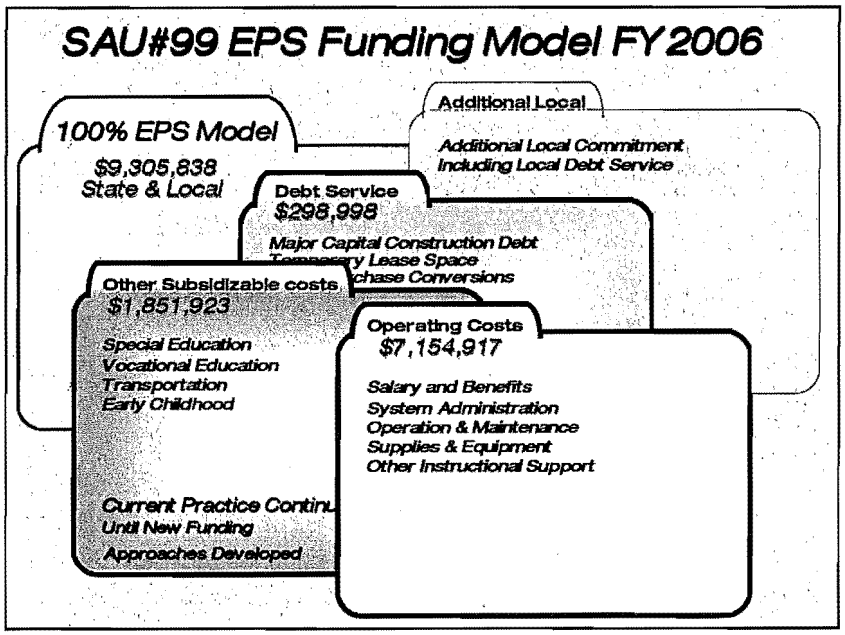
## Other Sub. Cost Calculations SAU#99

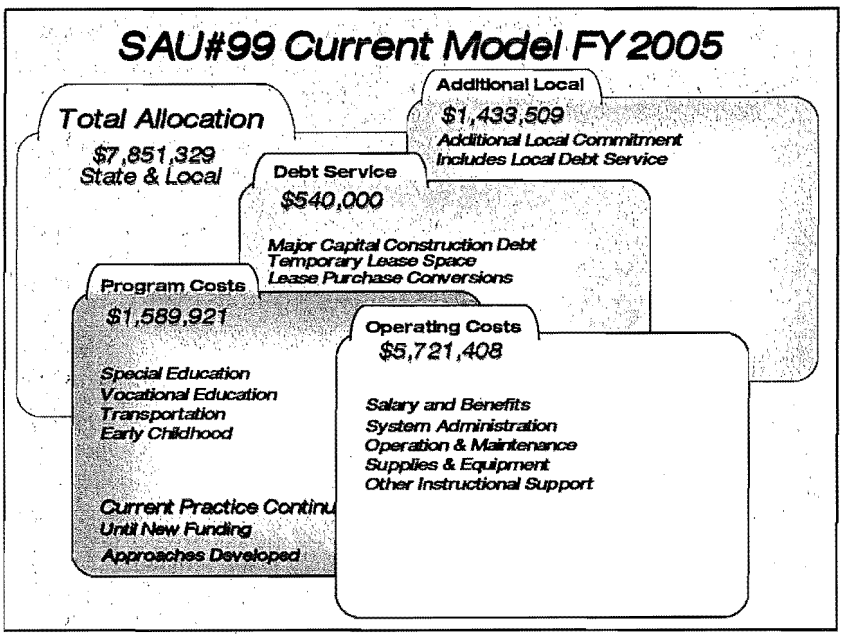
| Special Education | | | | Pupils | | EPS Rate | | Total Allocation |
|---|---|---|---|---|---|---|---|---|
| • Up to 15% | K-8 | 1.38 | X | 118 | X | $5369.00 | = | $874,287.96 |
| | 9-12 | 1.38 | X | 60 | X | $5631.00 | = | $466,246.80 |
| • Over 15% | K-8 | .38 | X | 12 | X | $5369.00 | = | $24,482.64 |
| | 9-12 | .38 | X | 4 | X | $5631.00 | = | $8,559.12 |
| | | | | | | | | **$1,373,576.52** |
| **Transportation** | | | | | | | | |
| • Base Costs (Resident Pupils) | | | | 1121 | | $100.00 | = | $318,800.00 |
| • Adjustments | | | | | | | | $28,500.00 |
| | | | | | | | | **$347,300.00** |
| **Vocational Education** | | | | | | | | |
| • Expenditures 03-04 X 101.6% | | | | | | | = | $118,800.00 |
| | | | | | | | | **$118,800.00** |
| **Gifted & Talented** | | | | | | | | |
| • Expenditures 03-04 X 101.6% | | | | | | | = | $12,247.00 |
| | | | | | | | | **$12,247,.00** |

**Total EPS Other Subsidizable Costs $1,851,923**


Applying The EPS Model to FY2006
100% EPS Model
$1,774,007,664
State & Local
Adjustments
$48,037,274
State Agency Clients & Wards
Other Misc. Costs
3%
Debt Service
$88,665,631
Major Capital Construction Debt
Temporary Lease Space
Lease Purchase Conversions
5%
Current Practice
Continues
Other Subsidiz
$339,867,
Special Educatio
Transportation
Vocational Educ
Gifted & Talente
19%
Included in LD-1
73%
Chapter 606B PL2003


Applying The EPS Model to FY2006
100% EPS Model
$1,774,007,664
State & Local
Adjustments
$48,037,274
State Agency Clients & Wards
Other Misc. Costs
3%
Debt Service
$88,665,631
Major Capital Co
Temporary Leas
chase
Other Subsidizable Costs
$339,867,236
Special Education
Transportation
Vocational Education
Gifted & Talented
19%
Included in LD-1
Operation & Maintenance
Supplies & Equipment
Other Instructional Support
Chapter 606B PL2003


SAU#99 EPS Funding Model FY2006
100% EPS Model
$9,305,838
State & Local
Additional Local
Additional Local Commitment
Including Local Debt Service
Debt Service
$298,998
Major Capital Construction Debt
Lease Space
Conversions
Other Subsidizable costs
$1,851,923
Special Education
Vocational Education
Transportation
Early Childhood
Current Practice Continu
Until New Funding
Approaches Developed
Operating Costs
$7,154,917
Salary and Benefits
System Administration
Operation & Maintenance
Supplies & Equipment
Other Instructional Support

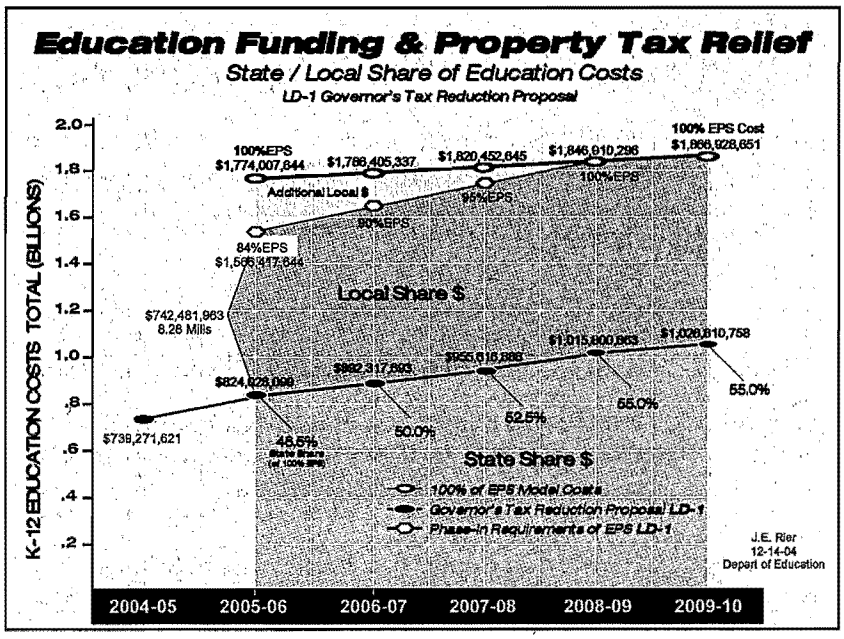

SAU#99 Current Model FY2005
Total Allocation
$7,851,329
State & Local
Additional Local
$1,433,509
Additional Local Commitment
Includes Local Debt Service
Debt Service
$540,000
Major Capital Construction Debt
Temporary Lease Space
Lease Purchase Conversions
Program Costs
$1,589,921
Special Education
Vocational Education
Transportation
Early Childhood
Current Practice Continu
Until New Funding
Approaches Developed
Operating Costs
$5,721,408
Salary and Benefits
System Administration
Operation & Maintenance
Supplies & Equipment
Other Instructional Support

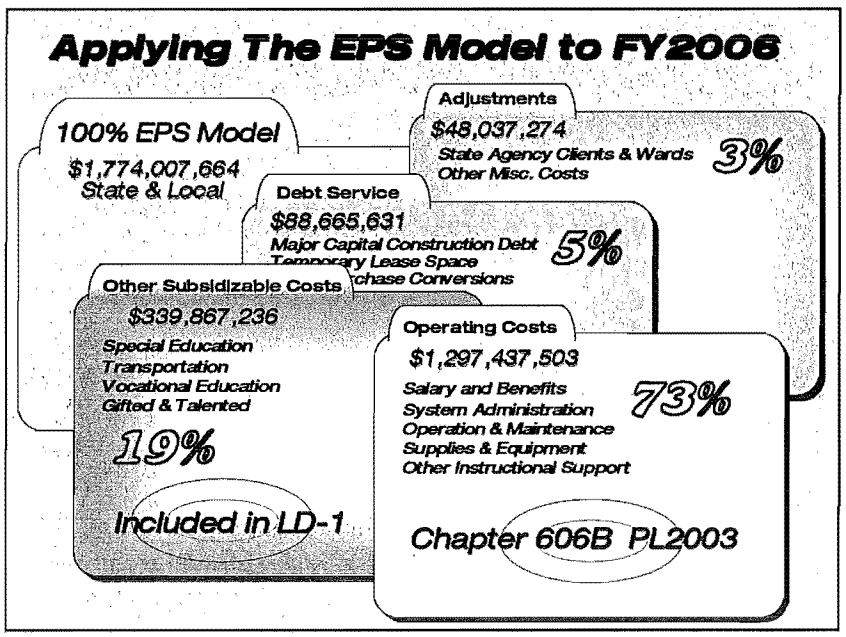
## The Level of State Commitment

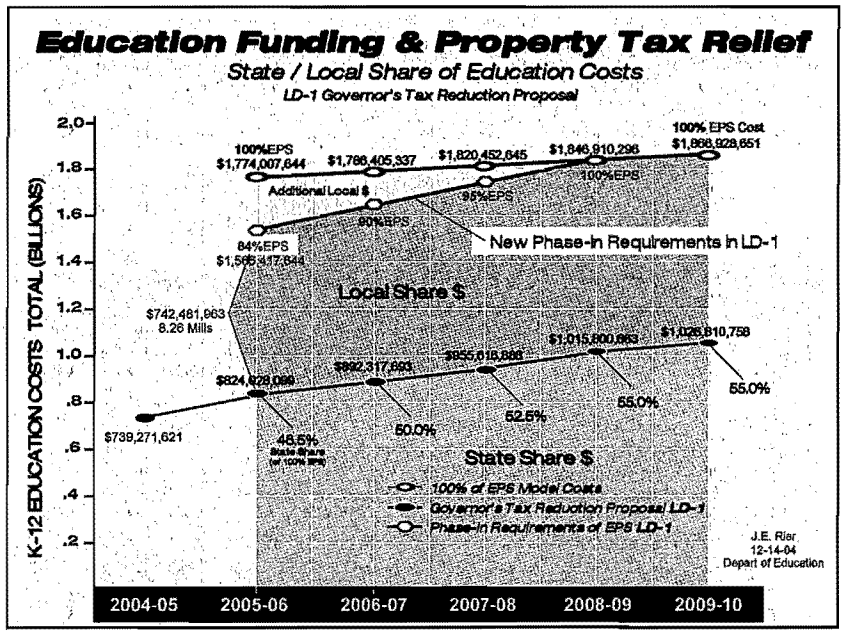
- Current Law Chapter 712 Committed the State to a Significantly Greater Share of K-12 Education Costs
  - It Provided the Increased State Share each Year Over the Specified Five-Year Period Necessary to Achieve a Statutorily Required 55% by FY2009-10
  - The Phase-in of EPS Defined Costs, already in Chapter 606B PL2003, Remained Consistent With the Five Year Phase-in of State Share

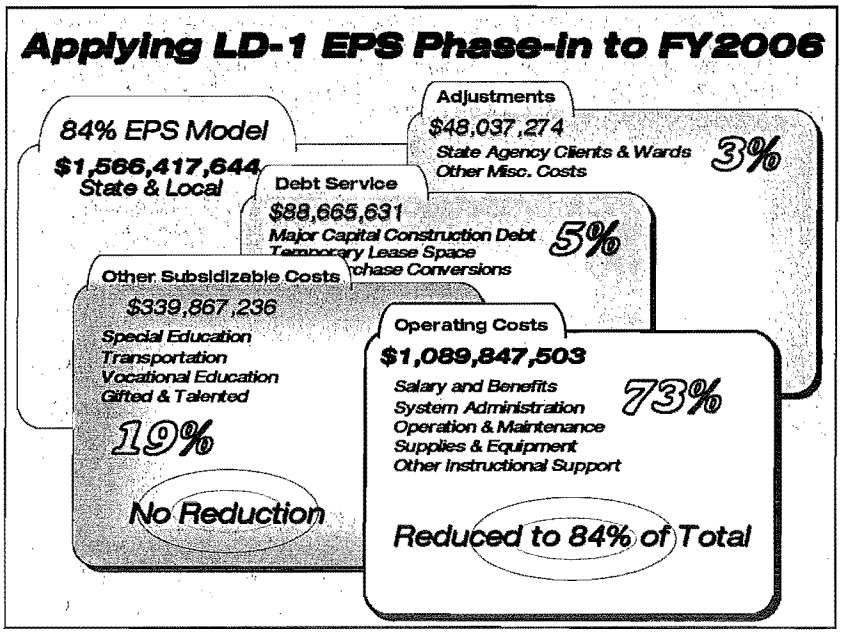
## The Level of State Commitment

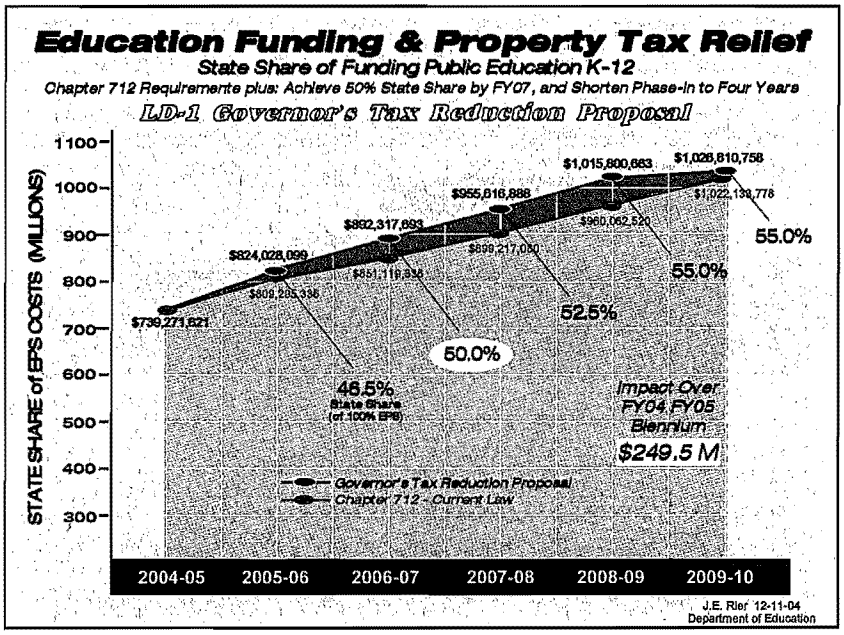
- LD-1 - Commits the State to the 55% Share of K-12 Education Costs Sooner
  - Requires that the State Share be 55% by FY2008-09 and that the State Share be 50% by FY2006-07
  - Commits the State to pay 100% of EPS Defined Special Education Costs
  - Requires that the EPS Phase-in to 100% is Achieved by FY2008-09


Education Funding & Property Tax Relief
State / Local Share of Education Costs
LD-1 Governor's Tax Reduction Proposal
K-12 EDUCATION COSTS TOTAL (BILLIONS)
2.0
1.8
1.6
1.4
1.2
1.0
.8
.6
.4
.2
100% EPS Cost
$1,866,928,651
100%EPS
$1,774,007,664
$1,786,405,337
$1,820,452,645
$1,846,910,296
100%EPS
Additional Local $
95%EPS
90%EPS
84%EPS
$1,566,417,644
Local Share $
$742,481,963
8.28 Mills
$1,015,800,863
$1,026,810,758
$992,317,893
$955,016,888
$824,828,098
55.0%
52.5%
50.0%
48.5%
$739,271,621
State Share $
100% of EPS Model Costs
Governor's Tax Reduction Proposal LD-1
Phase-In Requirements of EPS LD-1
J.E. Rier
12-14-04
Depart of Education
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10


Applying The EPS Model to FY2006
100% EPS Model
$1,774,007,664
State & Local
Adjustments
$48,037,274
State Agency Clients & Wards
Other Misc. Costs
3%
Debt Service
$88,665,631
Major Capital Construction Debt
Temporary Lease Space
Purchase Conversions
5%
Other Subsidizable Costs
$339,867,236
Special Education
Transportation
Vocational Education
Gifted & Talented
19%
Included in LD-1
Operating Costs
$1,297,437,503
Salary and Benefits
System Administration
Operation & Maintenance
Supplies & Equipment
Other Instructional Support
73%
Chapter 606B PL2003

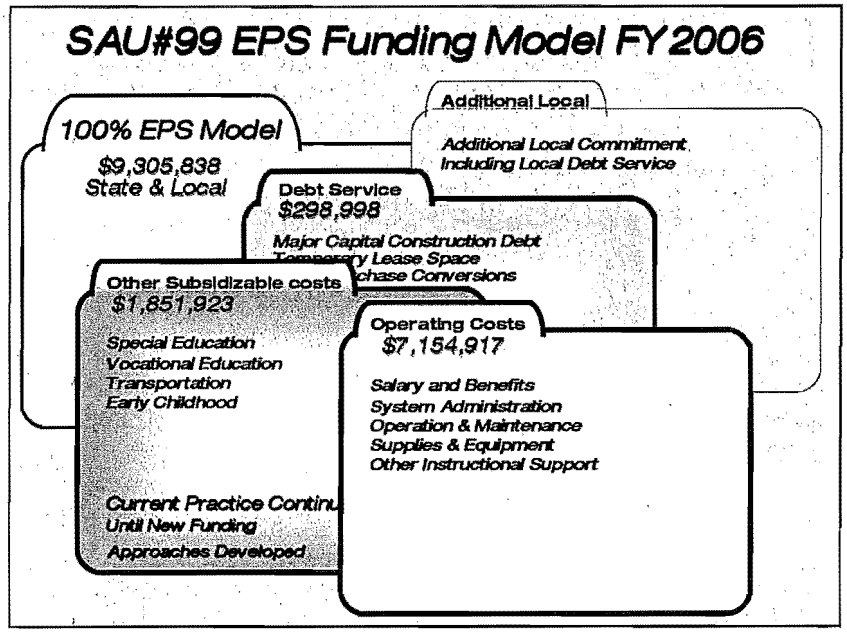

Education Funding & Property Tax Relief
State / Local Share of Education Costs
LD-1 Governor's Tax Reduction Proposal
K-12 EDUCATION COSTS TOTAL (BILLIONS)
2.0
1.8
1.6
1.4
1.2
1.0
.8
.6
.4
.2
100%EPS
$1,774,007,644
$1,786,405,337
$1,820,452,645
$1,846,910,296
100% EPS Cost
$1,868,928,651
Additional Local $
100%EPS
95%EPS
90%EPS
84%EPS
$1,566,417,644
New Phase-in Requirements in LD-1
Local Share $
$742,461,963
8.26 Mills
$824,628,099
$892,317,693
$955,015,888
$1,015,800,963
$1,026,810,758
55.0%
55.0%
52.5%
50.0%
48.5%
$739,271,621
State Share $
100% of EPS Model Costs
Governor's Tax Reduction Proposal LD-1
Phase-in Requirements of EPS LD-1
J.E. Rier
12-14-04
Depart of Education
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10

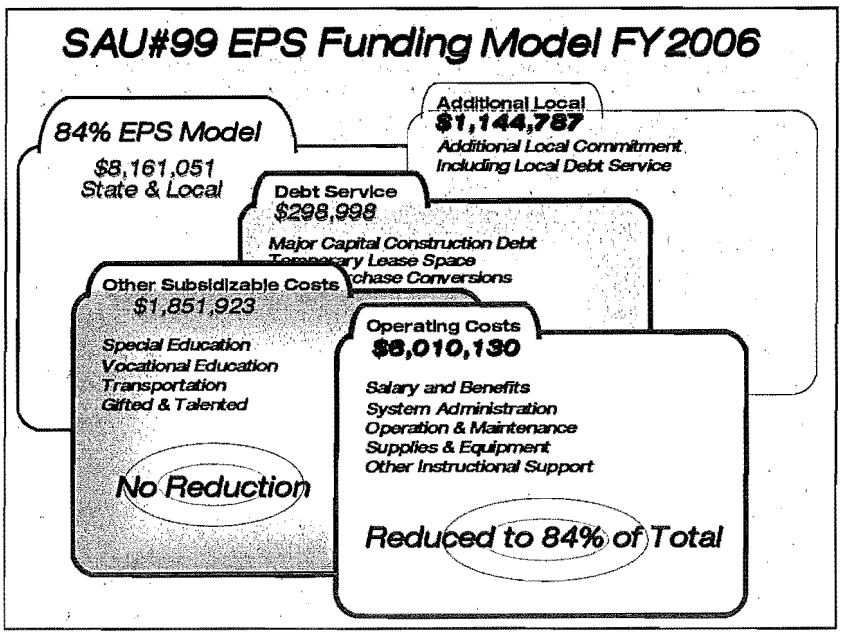

Applying LD-1 EPS Phase-in to FY2006
84% EPS Model
$1,566,417,644
State & Local
Adjustments
$48,037,274
State Agency Clients & Wards
Other Misc. Costs
3%
Debt Service
$88,665,631
Major Capital Construction Debt
Temporary Lease Space
Purchase Conversions
5%
Other Subsidizable Costs
$339,867,236
Special Education
Transportation
Vocational Education
Gifted & Talented
19%
No Reduction
Operating Costs
$1,089,847,503
Salary and Benefits
System Administration
Operation & Maintenance
Supplies & Equipment
Other Instructional Support
73%
Reduced to 84% of Total




# Maine's New Funding Formula

- *Chapter 712 Limits the Local Share of All EPS Defined Education Costs to 8.0 Mills or Less by FY2009-10*
  - *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 FY2009-10*
  - *State Share Becomes the Difference Between the Established Mill Rate Expectation and the EPS Defined Costs Each Year*


SAU#99 EPS Funding Model FY2006
100% EPS Model
$9,305,838
State & Local
Additional Local
Additional Local Commitment
Including Local Debt Service
Debt Service
$298,998
Major Capital Construction Debt
Lease Space
Conversions
Other Subsidizable costs
$1,851,923
Special Education
Vocational Education
Transportation
Early Childhood
Current Practice Contin
Until New Funding
Approaches Developed
Operating Costs
$7,154,917
Salary and Benefits
System Administration
Operation & Maintenance
Supplies & Equipment
Other Instructional Support


SAU#99 EPS Funding Model FY2006
84% EPS Model
$8,161,051
State & Local
Additional Local
$1,144,787
Additional Local Commitment
Including Local Debt Service
Debt Service
$298,998
Major Capital Construction Debt
Lease Space
Conversions
Other Subsidizable Costs
$1,851,923
Special Education
Vocational Education
Transportation
Gifted & Talented
No Reduction
Operating Costs
$6,010,130
Salary and Benefits
System Administration
Operation & Maintenance
Supplies & Equipment
Other Instructional Support
Reduced to 84% of Total

Total EPS Allocation

## Total EPS Allocation/Cost - State/Local Share

| 84% Model | Single Municipality SAU#99 |
|---|---|
| **Total EPS Allocation** **$8,161,051** | |
| **SAU#99 Allocation** | **$8,161,051** |
| *State Valuation '04* | *$500,000,000* |
| *Amount Raised Local (by 8.26 Mills or less)* | *$4,130,000* |
| *State Share* | *$4,031,051* |
| **Local Only Allocation** **$1,144,787** | *$1,144,787* |
| **SAU#99 Total Assessment** | **$5,274,787** |

TO: Members of the State Board of Education

FROM: Susan A. Gendron, Commissioner

DATE: December 15, 2004

SUBJECT: COMMISSIONER'S RECOMMENDED FUNDING LEVEL FOR FY 2006

Pursuant to the provisions of 20-A M.R.S.A., Section 15605 and proposed amendments of Legislative Document 1, the Commissioner, with the approval of the State Board of Education, shall certify to the Governor and the Bureau of the Budget recommended funding levels for the total cost of funding pubic education from kindergarten to grade twelve. The funding levels recommended herein were developed in accordance with the current statute as amended by Legislative Document 1.

RECOMMENDATION: I recommend that the State Board of Education approve the following motion:

MOTION: To approve the certified funding level for FY 2006, based on current statute and proposed amendments in Legislative Document 1, for the total cost of funding pubic education from kindergarten to grade twelve (including total operating allocation, total debt service allocation, and total adjustments and miscellaneous costs) at $1,774,007,644 with the 84% transition amount of $1,566,417,644, a local contribution amount of $742,389,544, and a state contribution amount of $824,028,099 to be distributed as General Purpose Aid for Local Schools. These amounts shall be distributed according to the parameters of the Essential Programs & Services Funding Act, as proposed by Legislative Document 1.

Pursuant to the provisions of 20-A M.R.S.A., Section 15680 and Section 15681, the Commissioner shall calculate the per-pupil amount for the costs categories not related to staffing and submit the per-pupil amounts to the State Board for approval.

RECOMMENDATION: I recommend that the State Board of Education approve the following motion:

MOTION: To approve the per-pupil amounts not related to staffing for FY 2006, based on current statute as follows:

| Category | K-8 Per Pupil Amount | 9- 12 Per Pupil Amount |
|---|---|---|
| System Administration | $341 | $338 |
| Operation & Maintenance of Plant | $907 | $1078 |
| Supplies and Equipment | $295 | $408 |
| Co-curricular and Extra-curricular | $28 | $97 |
| Professional Development | $50 | $50 |
| Instructional Leadership Support | $20 | $20 |
| Student Assessment | $100 | $100 |
| Technology Resource | $83 | $252 |

SAG:scc

Enclosure: Recommended Funding Level for FY 2006

# Commissioner's Recommended Funding Level

Maine State Board of Education

Maple Hill Farm - Hallowell
December 15, 2004

## Key Funding Level Assumptions

- **Essential Programs and Services Model**
  - **Operating Costs**
    - Per Pupil Weights and Dollar Amounts Per Chapter 606B PL2003
    - All Other Per Pupil Dollar Amounts Per Commissioner's Recommendation to State Board 12-15-04
    - An Adjustment for Isolated Small Schools
  - **Other Subsidizable Costs**
    - EPS Special Education Model As Defined in LD-1 Including the Requirement to Distribute at Least 100% to All Units
    - EPS Transportation Model As Defined in LD-1
    - Vocational Education and Gifted & Talented Using Current Method Until EPS Model is Developed

## Key Funding Level Assumptions

- **Essential Programs and Services Model**
  - **Debt Service**
    - Continues to Include State Approved Major Capital Debt, Lease, and Lease Purchase
  - **Adjustments**
    - Includes State Agency Clients and Wards
- **State Local Share of K-12 Public Education**
  - **State Share** per Chapter 712 PL 2004 Requirements
    - 52.6% of Phased-in Amount of EPS Defined Costs
  - **Local Share** per Chapter 712 PL 2004 Requirements
    - Mill Rate Required to Achieve 47.4% of Phased-in Amount of EPS Defined Costs and Distribute at Least 100% of EPS Defined Special Education Costs to All Units Required in LD-1

## Applying the EPS Model to FY2006

**100% EPS Model**
$1,774,007,664
State & Local

**Adjustments**
$48,037,274
State Agency Clients & Wards
Other Misc. Costs
3%

**Debt Service**
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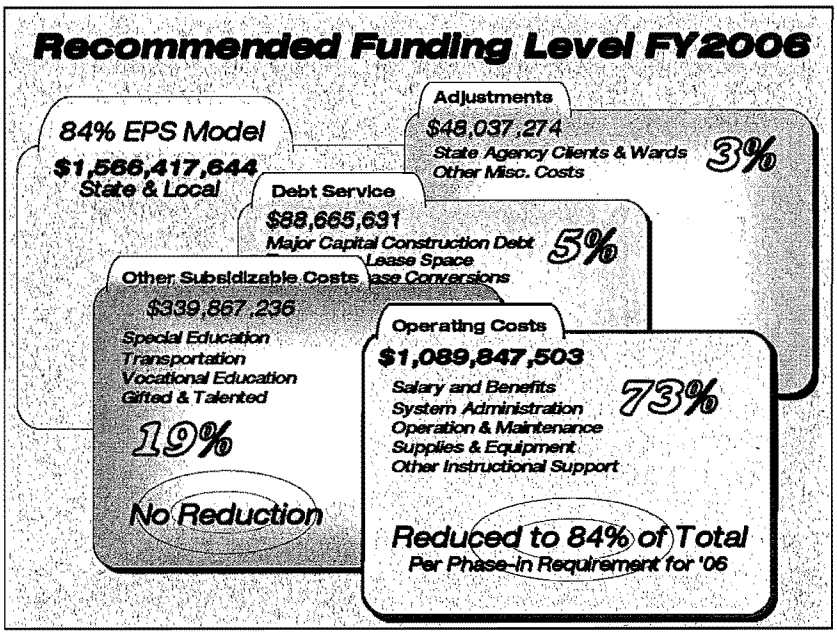
Major Capital Construction Debt
Temporary Lease Space
Purchase Conversions
5%

**Other Subsidizable Costs**
$339,867,236
Special Education
Transportation
Vocational Education
Gifted & Talented
19%
Included in LD-1

**Operating Costs**
$1,297,437,503
Salary and Benefits
System Administration
Operation & Maintenance
Supplies & Equipment
Other Instructional Support
73%
Chapter 606B PL2003


Recommended Funding Level FY2006
84% EPS Model
$1,566,417,644
State & Local
Adjustments
$48,037,274
State Agency Clients & Wards
Other Misc. Costs
3%
Debt Service
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Major Capital Construction Debt
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Other Subsidizable Costs
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Special Education
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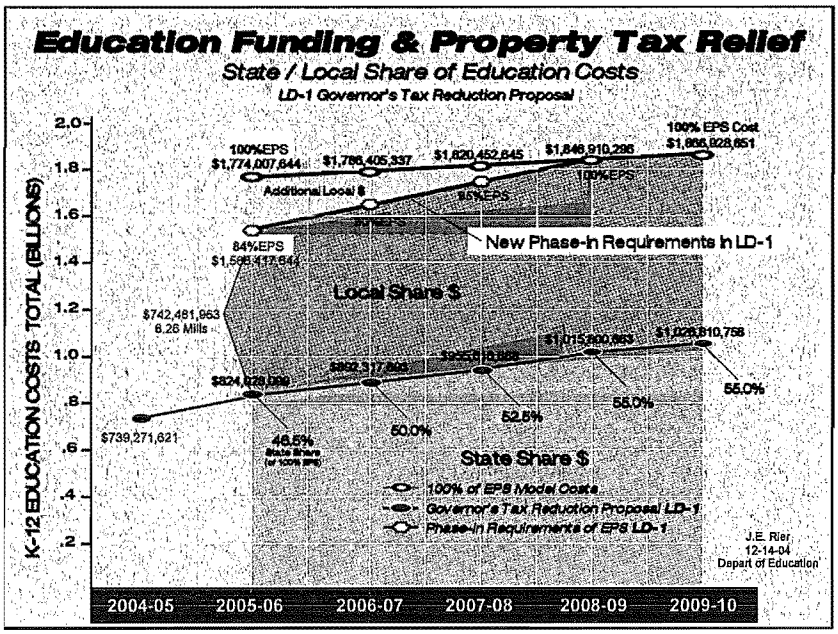
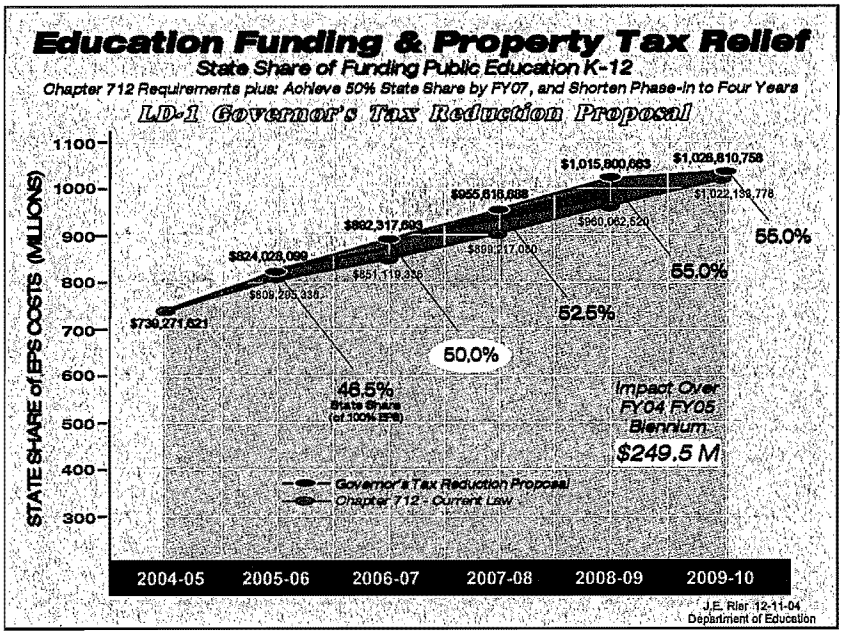
Vocational Education
Gifted & Talented
19%
No Reduction
Operating Costs
$1,089,847,503
Salary and Benefits
System Administration
Operation & Maintenance
Supplies & Equipment
Other Instructional Support
73%
Reduced to 84% of Total
Per Phase-in Requirement for '06


Education Funding & Property Tax Relief
State / Local Share of Education Costs
LD-1 Governor's Tax Reduction Proposal
K-12 EDUCATION COSTS TOTAL (BILLIONS)
2.0
1.8
1.6
1.4
1.2
1.0
.8
.6
.4
.2
100% EPS Cost
$1,866,828,651
100%EPS
$1,774,007,644
$1,786,405,337
$1,820,452,645
$1,848,910,296
100%EPS
Additional Local $
85%EPS
84%EPS
$1,566,417,644
New Phase-in Requirements in LD-1
Local Share $
$742,481,963
6.26 Mills
$739,271,621
$824,428,000
$862,517,868
$1,015,800,863
$1,028,810,758
46.5%
State Share
50.0%
52.5%
55.0%
55.0%
State Share $
100% of EPS Model Costs
Governor's Tax Reduction Proposal LD-1
Phase-in Requirements of EPS LD-1
J.E. Rier
12-14-04
Depart of Education
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10




**The Cost of Funding Public Education** *from Kindergarten to grade 12 for 2005-06*

| | 84% | 100% |
|---|---|---|
| Total Operating Allocation | | |
| Operating Costs per 20-A MRSA Section 15683 | $1,089,847,503 | $1,297,437,503 |
| Other Subsidizable Costs per 20-A MRSA Section 15681-A | $339,867,236 | $339,867,236 |
| Total Operating Allocation | $1,429,714,739 | $1,637,304,739 |
| Total Debt Service Allocation | $88,665,631 | $88,665,631 |
| Total Adjustments and Miscellaneous | $48,037,274 | $48,037,274 |
| Total Cost of Funding Public Education from Kindergarten to Grade 12 for 2005-06 | $1,566,417,644 | $1,774,007,644 |
| State Contribution @ 52.6% | $824,028,099 | |
| Local Contribution @ 47.4% | $742,389,544 | |
| Local Mill Expectation | 8.26 Mills | |

# HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002
(207) 287-1400
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**James M. Schatz**
P. O. Box 437
Blue Hill, ME 04614
Residence: (207) 374-5204
Business: (207) 374-5126
E-Mail: RepJim.Schatz@legislature.maine.gov


Date: December 13, 2004

To: Senator Dennis Damon
From: Representative Jim Schatz/Blue Hill Selectman
Re: Testimony for the Select Committee on Tax Reform

Dennis:

Attached is a statement I would like to formally submit to the committee. I'm sorry I could not appear in person. I would be happy to answer any questions or appear at a later date if you wish.

TESTIMONY:

The purpose of this testimony is to ask the committee to review the portion of the proposed Property Tax Reform package that relates to municipal spending. The language in the proposed bill would imply that this Legislation would act to control and manage budgeting and spending at the local level.

I would encourage the committee to remove the language that would make municipalities subject to rules, regulations or constitutional spending caps for the following reasons:

1. Local elected officials are driven by the same constituent demands and priorities as those of us elected at the State level. Property Tax reduction is at the top of their list of objectives.
2. According to the latest figure, there are over four hundred municipalities in Maine that operate with a Town Meeting form of Government. These Town Meetings enable the Legislative body of the Town (its citizens) to establish the budget and spending priorities for their Town. Micro managing a Town's use of their property tax funds undermines and preempts the long established fiscal control opportunity vested in the citizens of those towns.
3. The implementation and management of any system of control will require the establishment and creation of rules, procedures, and reports designed to monitor, regulate, evaluate and deliver corrective action to the hundreds of units of local government operating in Maine. This supervision function will have a cost. The cost may be significant at both the State and local level.

Finally, I would note that Property Tax Reform should be designed to enable not disable. Please consider minimizing the nature of the requirements which will be placed on municipalities.

Thank you,

Jim

James M. Schatz
State Representative District 37

**Testimony**
**On**
**LD #1 and LD#2**

Good day, I am Sen. Karl Turner of Sen. District 11, six communities in Cumberland County.

First, I strongly endorse the objective of moving Maine from #2 to #25 in terms of tax burden by 2015. This must be the benchmark by which we gauge elements of this bill. The over-arching umbrella under which these elements operate has to be strong, meaningful and viable limitations on the growth in spending at all levels of government. Without such limitations, everything that follows is insufficient.

Limitations in spending growth must have constitutional protection so that they can stay the course over the long term. The growth allowed has to be less than the growth in Mainers paychecks. Otherwise, when you consider the federal tax burden on paycheck growth, Mainers take home pay will decrease while state tax collections increase. The limitations at all levels must be consistent.

Funding the ramp up from 43% to 55% should be done as provided by the approved citizens' initiative, not over the several years suggested by the LD #1. The money should be provided by the requirement that it generate a dollar for dollar reduction in property taxes at the local level.

The circuit breaker program should have expanded funding. Funding for that could best be generated by eliminating the Homestead Exemption. This will generate an additional $40M for the circuit breaker and puts our property tax relief exactly where it can do the best good.

Providing a fund sourced from the bond market for property tax deferral would replace an opportunity already provided by the existing market. I would strike that provision from the bill.

On LD #2, I would make it a requirement rather than a local option for implementation.

Thank you.

HOUSE OF REPRESENTATIVES
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**Barbara E. Merrill**
265 Lower Road
Appleton, ME 04862
Residence: (207) 785-6639
Fax: (207) 785-6638
BarbaraMerrill.com

December 8, 2004

Honorable Dennis S. Damon
Honorable Richard G. Woodbury
3 State House Station
Augusta, Maine 04333

Dear Chairmen Damon and Woodbury:

I am writing to formally request that the Joint Select Committee expand the section of the Governor's Tax Reform Proposal as it pertains to County Government. There is no area of Maine government dependent on the property tax that is growing faster than county government

In the last ten years, the property taxes raised to support municipal government have risen just slightly above the rate of inflation for the period, while property taxes to support county government have gone up 74%, three times the rate of inflation. I believe it is no coincidence that the part of government least susceptible to taxpayer control is experiencing the greatest growth in cost. Fourteen years ago a group of distinguished legislators came together and recommended wholesale county government reform. Their recommendations ended up on the shelf. Seven years ago a different group of thoughtful people, which included the honorable Senate Chair, came together, and endorsed essentially the same set of recommendations. The boldest of their suggestions were never really considered at the expense of the taxpayer.

These recommendations were simple, straightforward, and radical: substantially end county government's reliance on property taxes, put county services on a fee for service basis, shift the funding for county jail costs over to the state Department of Corrections, and use county government to provide regionalized services, reducing the costs of municipalities.

Our structure of 16 counties is an important part of every school child's education, but it is archaic, and I believe we owe it to the citizens of this state to reexamine county lines. In my part of the state, the taxpayers support four different registries of deeds that are all within about an hour's drive from each other. I understand turf battles will ensue, but the most important thing we must understand is the impact on individual property taxes that our current county government has.

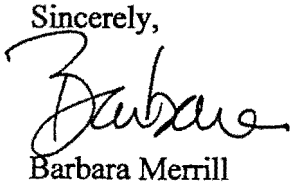
When former Governor Brennan was in the Maine Senate, 30 years ago, he realized that Maine could not afford 16 full-time prosecuting attorney in each of the 16 counties so he sponsored legislation to combine counties into eight prosecutorial districts. What was true for prosecutors then is even more true of sheriffs and jails now. We need to combine counties, remove their reliance on property taxes, and support the cost of jails. The result will be to save the taxpayers of Maine millions of dollars.

Reformed and reshaped county government can then go on to provide regionalized services to our municipalities and school districts and save taxpayers even more money.

For these reasons I urge you to make reform of County Government and removal of reliance on property taxes a part of the tax reform package. I understand that there is a sense of great urgency about your work, but as we know from those studies gathering dust on the shelf, the opportunity for real reform comes very seldom. Therefore, we must not squander this opportunity to address the fastest increasing cost center in property tax-based programs.

I have included an outline of how I believe this reform should be structured for your consideration and look for to testifying before your committee next week. Thank you for your consideration.

Sincerely,



Barbara Merrill
State Representative District 44

cc Members of the Joint Select Committee on Property Tax Reform
enc. Summary of Proposal

# Testimony of Senator Jonathan Courtney
## Dec. 14, 2004

When the property tax was created, property was a symbol of wealth. If you had property then the government assumed that you had the ability to pay taxes. Years ago that may have been the case but times have changed. Today the majority of Mainers own property but most struggle to pay their mortgages and many are being forced an unbearable tax burden simply because someone moves into their neighborhood and pays a higher price for their home.

The problem with the current property tax system is that it does nothing to address an individual's ability to pay taxes. Using Equalized Valuation, tax assessors are required to value properties based on the current market value of surrounding properties. If a person purchases a home for $100,000 and a few years later someone builds a similar home next to them valued at $300,000 then the person who had the first home will be taxed at a higher rate. Because of "Equalized Valuation" the person with the lower priced home could actually be subsidizing the person who could afford the $300,000 home. The assessor is required to try to keep current with property values.

Last year the Maine Mall sold for approximately $265,000,000. If the city of South Portland had been keeping up with equalized valuation then the taxable basis should have been near that figure. According to the city of South Portland, the Maine Mall was on the books for $135,000,000. Now the people of South Portland have been subsidizing the Corporation that owned the Mall approximately $130,000,000 in untaxed property. Now that would provide a lot of Property Tax Relief!

Clearly inequity exists in our current system. There should be a mechanism included in the property tax code that reflects the actual price paid for a property. In many communities, especially coastal towns, but not exclusively, the increase in property values has outpaced inflation and growth in personal incomes. The result is a disproportionate expansion of tax burden. If a property was purchased before a surge in local property values, those individuals who bought before that surge pay taxes based on the surge. The new prices do necessarily reflect the actual ability to pay.

***Maine needs a property tax system based on the purchase price.***

- When property is purchased the sale price would be the "Base Property Value".
- This "Base Property Value" would be set at the time it is put on the municipalities books to reflect Fair Market Value.
- The "Base Property Value" would only increase at the rate of the Consumer Price Index.
- When property is transferred then the new basis would be based on the "Fair Market Value" at the time of the transfer.

The goal of this model is to eliminate the excessive valuation increases that are plaguing property owners and provide a consistent revenue stream for the municipalities. Both citizens and municipalities are better able to budget through the elimination of rapid increases.

Municipalities would gain additional an additional taxable base when property transfers. The property value would be readjusted to reflect the new purchase price with the sale of a property. When a sale occurs, the property is taxed on the purchase price, or if the sale price is less than the local market value, then the Fair Market Value becomes the value used in tax assessment. This will enable municipalities to make sure that all valuation is taxed.

Citizens will be protected because it will move property tax to a basis of "ability to pay." This will protect them from excessive valuation increases that can tax people out of their homes. It will make their property tax much more predictable.

I believe that we achieve Tax Reform without increasing taxes on the people of Maine. This is a beginning step. For long-term reform I believe we also need a Constitutional Amendment creating a cap on government spending. Our tax burden is already too high and in order to provide for those in need we need policies that do not overburden the most needy and foster a business climate that will create opportunity for the hard working people of Maine to succeed.

Proposed Constitutional Amendment:

**LR xxxx**
**COURTNEY**
**jsj**
**9/16/03**

**Resolution, Amending the Constitution to Change the Method of Calculating the Way Property is Valued to Preserve Home Ownership in Maine**

**Constitution, Article IX, section 8, subsection 6** is enacted to read:

**6. Assessment and taxation of real property beginning April 1, 2005.** Beginning with taxes based on the status of property on or after April 1, 2005, all taxes on real property subject to taxation in the State must be assessed based on the base property value of the property. For purposes of this subsection, "base property value" means the just value of the property on April 1, 2005 or on April 1st preceding the date on which the owner acquired the property, whichever is later, as adjusted under this subsection. Unless there is a change in ownership of the property, the base property value on each April 1st may be adjusted only by the lower of the actual increase in just value or the same percentage as the percentage increase in the Consumer Price Index since the last valuation of the property and to reflect the just value of any improvements or degradations to the property since the previous assessment. When there is a change in ownership of the property, the base property value must be adjusted to the just value of the property on the April 1st preceding the change of ownership or the purchase price, whichever is higher, and is subject to subsequent adjustment as provided in this subsection. The Legislature may enact legislation to provide for the administration of this subsection.

## Summary

This resolution provides for amending the Constitution of Maine to establish a different method of valuing real property for purposes of the property tax beginning April 1, 2005. This amendment would provide that increases in property value for tax purposes would be limited to the increase in the Consumer Price Index unless the property is transferred when the value would be adjusted to reflect just value which is the equivalent of fair market value or the purchase price, whichever is higher.

# President Edmonds Testimony on LD 1 & 2

## Joint Committee on Tax Reform
## Tuesday December 14, 2004
## Room 228

Senator Damon, Representative Woodbury and esteemed members of the Joint Select Committee on Property Tax Reform, I come before you today to express my strong support of LD 1, *An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels,* & LD 2 *RESOLUTION, Proposing an Amendment to the Constitution of Maine To Limit the Rate of Change in Taxable Value of Homestead Land.*

I want to thank the Governor for his leadership on this package and the effort he and his staff have made to educate members of the Legislature on the details.

We have been given an opportunity to restructure the way the State of Maine funds public education and in doing so provide meaningful property tax relief to those that need it the most. In June the voters sent a clear message that they want the state to play a greater role in funding public education - this package accomplishes that goal. In June & November, in votes on the MMA initiative and the Palesky Tax Cap, the voters sent a clear message that they want property tax relief, but do not want to jeopardize essential public services in the process - this package accomplishes that goal. I recognize the difficult task this committee has been assigned but the people of Maine are counting on your wisdom and judgment to craft a package that will be fair and beneficial and I believe LD's 1 & 2 are a strong place to start.

This committee has been given a difficult task. Tax reform is easily the hardest challenge facing the Legislature. The need to take action before January 20, the date citizens initiatives must be filed, further increases the difficulty of the challenge before you. If you don't act by the 20th the constitution may require that anything we do is a competing measure that will go to the voters alongside the Chamber or Mary Adams plan. I strongly believe that we must take decisive action before that happens.

**You are among the best lawmakers in the legislature. You have been chosen because Speaker Richardson and I believe you can and will succeed.**

**I understand that there are many competing ideas regarding tax reform floating around the Capitol these days. Though some of these ideas are interesting I remind the committee that the voters of this state have already rejected radical change by soundly defeating the Palesky Tax Cap. Our goal is to develop a consensus that can achieve a 2/3 majority in both chambers. I urge you to find a workable solution that will meet that standard.**

**The voters have sent their message and I believe the Governor has responded appropriately in LD's 1 & 2. These bills may not be perfect, but they are a good start and I challenge this committee to make the compromises necessary to get the job done so we can all return to our districts with more money for schools and more relief for taxpayers.**

STATE OF MAINE
HOUSE OF REPRESENTATIVES
SPEAKER'S OFFICE
AUGUSTA, MAINE 04333-0002
(207) 287-1300

JOHN RICHARDSON
SPEAKER OF THE HOUSE

# Testimony of Speaker John Richardson to the Joint Select Committee on Property Tax Reform on LD 1, *An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels*

December 14, 2004

Good morning, Senator Damon, Representative Woodbury and other distinguished members of the Joint Select Committee on Property Tax Reform.

My name is Representative John Richardson of Brunswick and I am here today to present LD 1, *An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels* for your consideration and review.

We as legislators have been charged with an important job. Maine people have made it clear that the property tax system in this state must change. They have also sent us the message that refinements to the school funding process are an important part of that reform. They have also told us that draconian measures are not the answer. The people of Maine demand a responsible approach.

I am pleased to sponsor the Governor's proposal to achieve the people's goals. This committee faces a great challenge but you have a mandate from and a responsibility to the people of Maine to craft a plan that every member of this Legislature will be proud to support.

First and foremost, Maine people demand that this committee and this Legislature achieve property tax reform. Of all the tax issues, Mainers have made clear that the property tax is the most important, and the one that must be solved now.

After two years of debate and study, -- or more depending on who you ask --, there is little we don't already know about the need for tax reform, and the different forms it may take. This hard-won education gives you the knowledge and experience you need to quickly resolve this issue and allow the Legislature to move forward on a solid foundation. To put it simply, the Legislature and the public have been debating tax issues, especially the property tax, for the last 2 years. If we aren't ready to act now, we never will be.

The Governor's proposal recognizes that the overall tax burden in Maine is too high. In addition to delivering immediate property tax relief to those who need it most, it builds a platform to rein in Maine's tax burden by controlling spending at all levels of government.

It is also clear that Maine people don't want tax reform politicized. There is a spirit of nonpartisanship around this issue now, and it is up to this committee to maintain that. Property tax reform is not a Democratic or Republican issue. It is a nonpartisan issue that is important to each and every one of our constituents. This committee must operate in a nonpartisan manner, and from your actions so far I know that working collaboratively is foremost in your minds.

I want to thank the Governor for providing us with a framework for moving forward on property tax reform. It is now this committee's role to conduct a vigorous review of the Governor's proposal. I am confident that this committee will work together to take this framework and make this proposal its own.

The end result of this proposal will be to lower property taxes for Maine people, to allow more elderly Mainers free to remain in the homes that hold generations of memories and the promise of more to come, and to ensure that more of Maine's working families will be able to afford their homes and create memories of their own. The work of this committee sets the stage for us to move forward and create opportunities for Maine people and Maine's small businesses.

Finally, I want to give my sincere thanks to the committee for taking on this challenge and I am happy to answer any questions that the committee may have at this time.

## StPierre, Judy

**From:** Debkeen2@cs.com

**Sent:** Sunday, December 12, 2004 4:39 PM

**To:** RepHaroldClough (EXTERNAL); Benfdudley@hotmail.com; StPierre, Judy; lerman2@msn.com; pmills@mainelegal.net; Perry, RepJoe; eddiedugay@midmaine.com; tumblingrun@qwi.net; RepRobertWoodbury (external); SenDennis Damon

**Subject:** Tax reform Via BETR---HUH?

Judy, can you also copy this to the committee? I didn't have all their email addresses, Thanks.

Dear Leaders,

I will be unable to attend the hearing on Tuesday and submit these additional public comments.

I finally had a chance to find and actually read Baldacii's bill . Several comments First I'm concerned that this is going to be a rush job without the public having an opportunity to view and assess the plan nor leaders to have a thorough discussionn of the plan.The public hearing is happening before the ink has had a chance to dry and before people have had a chance to read it ( yes some of us do) and will be at a time when lobbyist but ordinary working Mainers-me- cannot attend. A better time for the hearing, to ensure the people and not just lobbyist could attend would have been during Christmas vacation. AS you know the PPH and affiliates are not usually a very relaible source of information when it comes to news and facts. However, I have forwarded to you some of the comments of ordinary Mainers of the plan as submitted to the PPH. They mirror much of my "at first glance thinking."

I heard today that the MEA is submitting their own bill and I want the chance to review and compare that to this one. This should NOT be a rush job and a Jan 20th deadline seems arbitrary.

Having said all that after reading the bill I will say it's NOT that bad. Having relied on the PPH I had some things wrong. Circuit breaker seems to work well.

The caps on spending are reasonable. and I would guess just about what is happening on all levels now. ."The caps" , however, in my opinion are unnecessary and are smoke and mirrors and distraction that doesn't define the problem properly or solve any problem.– they are merely an advertising scheme , a sound bite , a media blitz . The problem is NOT excess spemding in my opinion. The caps shouldn't take up the first 12 pages of the bill. It's a non problem seeking a solution. It's a distraction from WHAT the problem is---school funding.

My fear is the emphasis on the caps will be used to eliminate what we all value--those programs that serve people. It will be used once again to slash and burn social services and education. It's a theme you shouldn't embrace.It's a discussion that has been moved to the front burner and is front and center in the bill --the first 12 pages of it focuses there( sorry my pages weren't numbered but..In the Chamber version it was the first 10 pages of the 15 page bill.!) It's a bait and switch...stay with me...I'm tying it together.The problem is they way the state funds schools not the way the state spends money.

Buried in one paragragh at the end, never mentioned in the press, never mentioned in the press release out of the Governor's office IS the BETR provisions PART F---It appears to me that "the caps" are in play NOT to promote those things WE care about -----like social services and education and people but to decimate them to pay for and institutionalize BETR. The Chamber did not have the courage to put that in their own bill relying instead upon the Governor to do that for them in his!! It's bait and switch. It's the same shenanigan's he tried to pull last year with the elimination of the personal property tax on equipment and which helped to "get in the way" of your doing what you should have done last year--deliver Tax reform.The Chamber always acting as the obstructionists to tax reform . They funded and ran the last three anti referenda campaigns. They stood in the way of many good Tax Reform solutions, over the last 4 years, with their die on the hill attitude towards BETR.

It's my opinion that the Governor is NOW willing to lock you in a room for Tax reform because he has the bill he always wanted to deliver to begin with, Basically 1- B, now with BETR permanently preserved for good measure. The voters rejected 1B 2 times already.

NOWHERE in the discussion of tax reform or property tax relief or the three referendas in the last 12 months ( 2 MMA and Palesky) was there any discussion oF BETR. It doesn't belong buried at the end of THIS BILL. NOONE but the Chamber and the Governor has brought it into the discusion. BETR is why the chamber has always acted as obstructionist to Tax Reform for the last three years. It is why they worked for and paid for the defeat of the last three referendas, unsuccessfully I might add, on the two MMA's referendas. BETR does Not belong in a Tax reform or property tax relief discussion --Get it OUT of the BILL!! It's pork! It's double dip.It is nothing that the voters care about. It is not even a remant in their brains. It doesn;t belong in THIS discusion. It doesn't belong buried in THIS bill.

BETR is a failed program that instead of being institutionalized should be eliminated. It's a costly program that has grown from $64 million to $82 million without much to show for it. It benefits only 1/2 % of All Maine Businesses. ONLY 2,000 of Maine's 40,000 Businesses benefit from it ,with only 200 Maine Business getting the LION's share. The rest of Maine"s small Business , the generator of Maine's job engine, get nothing. BETR was supposed to be a jobs creation program.That goal was never met.It's beneficiary have been those same companies that have been closing shop, laying off and shipping Maine jobs over seas. Investing in equipment eleiminates job thru effeciencies, it doesn't preseve or create them. It doesn't create jobs; it doesn't create better paying jobs. The proof is in the statistics.It's a failed program and it's failure shouldn't be institutionalized!!

This is Money that would be MUCH better spent on small businesses, the generator of Maine's job engine.BETR should be replaced by a program to promote enhance and grow small business thru bold and innovative R+D. There is No accountability for BETR. Reserach done shows it hasn"t met it's promise to create jobs or to create better paying jobs.It's sending money down a black and endless hole. With investment , small business holds the ability to fulfill that jobs creation promise. That is a disussion that needs to happen BUT not in this bill. BETR has failed as an economic policy issue and needs to be remade with the money invested elsewhere to promote jobs in small busineses.

If we want to grow our economy to create jobs in order to solve our tax problem. We need to assess what we have been doing and do it in a different way. It's a discusion that has to happen BUT NOT within this Tax Reform Bill. It has NO place here.It's the Chamber ole "ME TOO" "What about Me " "Give me more" or I'll obstruct tax reform approach to policy. The Chamber continues to speak for only 1/2% of their members to the exclusion of the best interest of the rest of 99.5% of Maine busineses. . To instutionalize BETR is to institutionalize part of the problem. Take Part F out of the bill. Take BETR and the discusionn of How we grow our economy to a study group. to asesss it and rethink how we invest in Business.WE aren't getting our "bang for our buck "here. When you are digging yourself into a hole, you really need to stop digging. I know for some BETR is the HOLY grail---It's the third rail. It's not working folks.The emperor has no clothes. Just like we have learning results for schools we need to have a Jobs results for BETR. It's failing. We need to rethink our approach to economic development. BETR has No place in this bill.

It's a mighty big distraction( with a costly bill) from the work at hand buried in one paragragh of a Bill that's supposed to be about Tax reform. It's pork.Throw it out.of the bill Throw it to a study group,so we can get back to the task at hand--How we fund schools to relieve the property tax.

What's good about the Governor's bill. It appears that some of the added weights will be helpful to schools and taxpayers.It appears that in the move towards 55%, while still too long, at least more will happen earlier in the transition. I like the special ed provisions. There's Not much Not to like other than the obvious...It's Not MMA which was voted in and on twice. I'll wait to see their bill. and hope for a REAL compromise between this and that. I didn't vote for 1B twice,. and on the school funding end, that's in essence is what this is.The average per pupil cost under EPS seems like a pretty low starting point to me. and it's ramp up overtime is concerning. I'd have to see some numbers.If it only keeps us from back sliding and doesn't move us forward significantly and doesn't result in reduction in taxes, it won't have met the intent or will of the people. Throw BETR out of the bill it doesn;t belong there. That and the caps in my opinion are a distraction that could kill this thing. It has the potential to be a good bill. it's not there yet.

PS This critical discusion should at least wait until all of the NEW legislators e-mail addresses are on the web site. So their constituents can be apart of the discussion. Don't rush. In your haste to appease and fnally listen to constituents and adopt any thing you may find yourself adopting the worst solution of all.Thanks for your time

Deb Keenan.

**State of Maine**
**House of Representatives**
2 State House Station
Augusta, Maine 04333-0002

Testimony to the Joint Select Committee on Property Tax Reform
State Rep. Hannah Pingree

Chairman Damon, Chairman Woodbury, members of the Joint Select Committee on Tax Reform, my name is Hannah Pingree and I represent the communities of House District 36, which includes the island towns of North Haven (my hometown), Vinalhaven, Isle Au Haut, Deer Isle, Stonington, Swans Island, Frenchboro, the town of Tremont and part of the town of Mount Desert on Mount Desert Island, and the coastal town of Brooklin.

I am pleased to be here today to speak in support of LD 1. I appreciate the hard work the Governor's office has put into this comprehensive bill, and I thank this committee in advance for the hard work you will put in to come up with a tax reform package that will make a difference in all our communities.

I think we can all appreciate the fundamental goal of tax reform this session. It is not to serve party agendas. It is not so that we as politicians can go home and say we did something about taxes. The goal is to ensure Maine people can stay in their homes and that our communities remain not only intact – but vibrant.

The framework the Governor's bill sets out in this plan is both comprehensive and useful. I am here to speak in support of many of the provisions of this framework and provide some specific examples of how it will affect the communities I represent, as well as other similar communities around the state.

Your job is not enviable. Different parts of Maine are faced with different issues driving a high property tax burden. For some communities, the problem comes from very high mill rates, driven by school budgets and a lack of school funding, expensive county budgets, community needs, and a limited tax base. In other communities, like those on the coast, an influx of summer residents, skyrocketing real estate transactions and growth has driven up valuations – making land on the coast, once taken for granted by fishing families and hard working people – unaffordable. Thus, despite relatively low mill rates, doubling and tripling valuations makes long-time homes suddenly unaffordable.

Over the course of my lifetime, I have watched tremendous change occur in the area in which I grew up – both on the islands and throughout the midcoast area of Maine. Some of this change has been very positive – there are more jobs, a growing economy, and many community improvements. But the area has also attracted more and more summer residents and wealthy retirees who are willing to pay greater and greater amounts every year for the purchase of local housing.

The increase in demand has of course, fueled rapid escalation in valuations. Recent revaluations in two of my communities have resulted in a near doubling in the overall valuation of each of these communities.

And the people of these communities aren't rich. Many of the islands I represent have majority low and middle income populations, with average income and Medicaid usage statistics to prove it. Especially for seniors, those working in the service industry, and young people, property taxes are unaffordable. Some say that these people obviously have valuable property and I have heard said countless times "why don't they just sell their home – a valuable asset." The point for many of these people is that the community they live in is their home. Especially for small, isolated island towns, leaving is an untenable option for those who are connected and dedicated to these communities.

The Governor's plan offers several provisions that could have a positive impact for residents living in high valuation communities. These include:

- Increases in special education funding. Because the new EPS model will still leave many small coastal towns as non-receivers of regular EPS dollars (the vast majority of the $500M or more in funds the state will spend in the next 4 years), the special education funding provisions should help. In addition, the still-being-developed increases in funding for small schools, and geographically isolated schools could be helpful, though the details on this part of the formula are not yet known.

- Increases in eligibility for the circuit breaker. The cost of living, especially on islands and in high valuation communities, is much higher mostly due to higher housing costs. Expanding the circuit breaker to middle income families is a great step forward and will help many more people who need support.

- The effort to address the issue of valuations. Clearly many communities have NO tools available to them, other than poverty abatements, when it comes to assisting residents in keeping their homes.

As the Governor has said, "this is a work in progress." I appreciate his words and his sentiment. With that, I have a few suggestions:

1. Greatly increase the circuit breaker. The circuit breaker is the best way to target real property tax relief to people who need it most – whether they live on Vinalhaven or Lewiston or Sanford. I was surprised to learn that in the early 90's the circuit breaker offered a maximum benefit of $3000. The current $1000 benefit is helpful, but far, far too small. Based on the minimal size of the refund, I almost have to argue that more should be put into the current income eligibility first, rather than expanded to people of higher incomes. Or, even better, reducing or eliminating the current homestead exemption program and putting the $35 million we spend each year on this program into the circuit breaker could make a meaningful difference for those who need it most. Or, at the very least, remove the top or top two tiers of the homestead exemption ($2500 for property over $250,000 or $5000 for property over $125,000) and use those funds to create a ramp for the circuit breaker.

   The fact that the circuit breaker was 300% greater 14 years ago, when valuations and tax bills were far less, is hard to believe. We must take action to renew this program to

make sure it does what it was originally intended to do – help Mainers stay in their homes.

2. Find a meaningful way to address valuations. Both the reverse mortgage provision and the constitutional valuation freeze share a similar problem – they not only fail to protect the future of communities, they encourage and assure their loss. The reverse mortgage program makes it far less likely that property will be passed on to year-round residents or family members in valuable coastal communities, not to mention the fact that few residents will feel comfortable taking out a loan from the state to pay their taxes. And it is very questionable whether this is a good idea. In our age of high debt and growing bankruptcy, this seems like a disturbing trend to encourage.

   The limit on homestead valuation increases seems very reasonable and I would love to support it, but it carries a similar problem. Towns that enact this program will shift the burden for taxes from long-time residents to new residents and young people. For a state trying to bring young people back, attract new young people, and for islands that are desperately trying to retain their populations, this kind of shift doesn't make sense. Under this provision, for me to own a house today and for my sister to move home and buy a comparable house in ten years, our valuations and tax bills would not reflect the similarity in our properties. She would be paying far more taxes. Creating this kind of inequity does not fix the problem we are trying to address. In addition, many of the communities I am most concerned with have already seen run-away increases in valuation, thus limiting the increases today does not fix an already accumulated problem.

I am sure this committee will consider many other types of proposals of alterations to address the valuation issue. The late Peter Cox proposed in a Portland Press Herald column this fall an alternative to the Palesky measure, which seemed promising. It was a Local Option Homestead Exemption. This provision would allow local communities to determine whether or not they wanted to exempt some selected amount of land valuation (0 – 50%) from local taxes. This provision would only make sense in those communities that have a significant number of second homes, as clearly it shifts the burden to these properties. There are obvious pitfalls to this provision, as it could shift the burden to other properties, land greater than the "homestead" owned by primary residents, businesses, etc. I have been investigating how and where this provision has been used in other communities, but I read in one Peter Cox piece that it was done in Vermont and I know that other states, like Florida, have implemented similar provisions.

Clearly, this idea and others will only work for some communities. Unfortunately, the more I think about this issue – and I am sure you share my sentiment – the more I realize that there is no silver bullet. This is why a variety of tools and options must be made available to diverse communities, so that property tax relief is available to all Mainers who need it most.

Again, I appreciate the vision of the Governor, the hard work of his office in putting this together, and the commitment of all members on this committee to work together and take action. I am sure you share my concern that it is far more than political reputations at stake, these issues affect our most vulnerable citizens and the future of many of our communities.

State of Maine
House of Representatives
2 State House Station
Augusta, Maine 04333-0002

**Testimony on**

**L.D. 1,** *"An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels"*

&

**L.D. 2,** *"RESOLUTION, Proposing an Amendment to the Constitution of Maine to Limit the Rate of Change in Taxable Value of Homestead Land"*

# Presented by Representative Stephen Bowen District 46

Joint Select Committee on Property Tax Reform
December 14, 2004

**Senator Damon, Representative Woodbury, and distinguished members of the Joint Select Committee on Property Tax Reform,**

I'm Representative Steve Bowen and I represent the towns of Camden and Rockport. As you might imagine, **these are two towns where property tax relief is issue number one.**

Since that is the case, I have openly welcomed the commitment to this issue shown by the governor and legislative leadership. I am happy to see that so quickly, this committee has been seated and I hope for good things to come from it.

I come before you today to share a few thoughts about LD1 and LD2, in the hopes that these bills might be fine tuned by the good work of this committee and will result in meaningful property tax relief for communities like mine that desperately need it.

Let me begin with a quick bit of background so you'll get a sense of where I am coming from on this. I represent two coastal towns that have seen their valuation rise dramatically in the past few years. As consequence of this, state aid two my towns has dropped. **The school district for my towns, the district in which I work as a teacher, has seen the state's share of its funding drop**

**to the level it is now, somewhere around 5%, from almost 10% a couple of years ago.** Property taxes have risen as a consequence and the effect of these rising taxes on my towns has been overwhelmingly harmful. Not only have people been forced to sell their homes, but entire sections of town have been transformed. **Today, only one house on Rockport harbor is a year-round residence. Affordable housing is nowhere to be found.** New developments are springing up in neighboring towns where housing costs and tax burden are less, contributing to growing regional sprawl issue.

Even worse, and on e more personal level, recent revaluation efforts in both my towns have turned neighbor against neighbor, pitting coastal areas against inland areas. **In my town, fighting about valuation and taxes has gone on now for going on the years. People are angry at their towns, angry at the schools and angry with each other. Property taxes have been so destructive to the fabric of my towns that the local paper went so far as to call them immoral.**

So I come to you today looking for help to save my towns.

And the question, then, is will passage LD1 and LD2 help us to do that? The answer, I think is complex, as there are many pieces at work in this bill, but I would submit that there are several pieces that need more work if we are to really to provide meaningful relief to Maine people.

I'll begin with the **school funding piece** that is the central feature of Governor's proposal. As you might suspect, this state's continuing insistence that high property valuation equals ability to pay high taxes has resulted in a diminishing state share for my district's school system. While I support the move toward the EPS model, in the hopes that it will bring some rationality to education spending, I cannot help but be concerned that the mill-rate expectation model that accompanies it, that actually determines how much state money a school system gets, continues to be connected to valuation. It is hard to see, for instance, how my town will see relief from high property taxes with a mill rate expectation for next year of 8.25 mills for education, when the mill rate for education in my town is only 6.6 mills right now, as a consequence of rising valuation. Regardless of the full implementation of EPS, it would appear, my towns will continue their slide toward being zero receivers. So other than the special ed component, which appears as though it will funnel some money to every district, the school funding part of this bill, as written, gives me little hope for true relief for my towns.

**I would therefore urge the committee to do a serious analysis of the town-by-town state-share projections that Commissioner Gendron has said she'll produce, and work to ensure that all towns in the state of Maine see some relief as a consequence of the work you do here.** I might even go further and suggest that you at least contemplate some type of guaranteed minimum subsidy for every town, so that the state extends its investment in education and its investment in the future to every child in every town, and so that every school in Maine can be certain that some of their state funding will be secure.

So if the education funding element of the bill may do little for my towns, what about the enhancements to **circuit breaker**? Though the bill does raise income eligibility caps, I, for one, would like to see **stronger language in the bill on whether and when the benefit levels will be raised.** Understand that I have taxpayers in my district who have seen their taxes climb into 5 figures - one of my constituents has his taxes climb from around $7500 to $16,000. You can be sure that his income has not grown at a pace like that. **This legislation should make a firm commitment to providing relief to those that need it most.**

We need a simple, easy-to-use program that provides real relief for folks with those kinds of burdens whose income doesn't come close to paying those kind of bills. **I would strongly urge the committee to review the language on circuit breaker in the bill and make a real commitment to strengthening that program immediately, and giving low income Mainers real relief from high property taxes.**

Real relief, by the way, is not had by simply allowing people to mortgage their houses to pay their taxes. If you are going to claim that nobody will pay over a certain amount of income in property taxes, be sure you mean that they won't pay it, not that they will pay it later or their heirs will. **I hope that this committee gives a good deal of consideration to the proposal in this bill that would put Maine into the reverse mortgage business and think twice about making it state policy that people should go into debt to pay their taxes.** That idea is many things but it is not tax reform or tax relief.

With regard to the valuation cap in LD 2, I can see some benefit there, particularly with the predictability it will bring to rising valuations in towns like mine, if they choose to adopt it. **I have some concern, though, that it does not actually lower taxes, but simply changes who pays them, shifting the burden from homes to businesses, from homes that turn over infrequently to those in high demand, such as starter homes for young families,**

**that it shifts the burden from those homes with rapidly rising valuation, those on the water, for instance, to those inland, who have less to gain from capping valuation increases.** And so I would urge the committee to do what many towns in our state did in response to the threat of Palesky - **do a substantive analysis and projection of the long-term consequences of tinkering with valuation** and ensure that in trying to make the tax burden more manageable we don't accidentally make it less just. We don't create more burdens for businesses and for affordable housing, in an attempt to lessen the burden on others.

It's on the issue of long-term consequences that I'll finish up. As with the valuation cap I just mentioned, most of what we've talked about is shifting burdens. Shifting the burden from the towns to the state, from one tax to another, from one taxpayer to another. **At some point we need to figure out a way to lower the overall tax burden for all Mainers, not simply move the bill from here to there. There are two pieces of this bill that could do this, the spending caps and the efficiency funds, and I would encourage the committee to work to improve both.**

**The spending caps, as written, hold the state to a different standard than the towns and counties, which I think is unacceptable.** We need to keep in mind that the towns and counties have far more costs over which they have little control than the state does. It is policy at the state level, on issues such as health insurance costs, worker's comp costs and so forth that are driving up costs for towns and counties to do their work. They can't control these costs, so it is hardly fair to hold them to a higher standard than the state. **And for these caps to be truly effective, they should be put in the Constitution, to ensure that that they are in place over the long term and can, over the long term, give us more efficient, effective government.** Spending caps can do for government what they do for families - force them to live within their means and force them to make smart decisions with their money.

The **efficiency funds** have the potential to do the same. Working on the Regionalization committee last session, we heard numerous examples of cooperation between towns and between schools, of creative ways being used right now to cut costs and improve services. The funds set aside by this bill can be used to help towns identify opportunities such as this, and to provide start-up money to help reform efforts get the ground. That is, if they are used wisely. Frankly I have concerns that the bill turns these funds over to a couple of state departments without a lot of guidance for how the funds shall be disbursed. **I would suggest the committee revisit the work of the Regionalization committee and**

**consider putting the funds in the hands of the newly created Intergovernmental Advisory Group**, which, with representation from all three levels of government, might be in the best position to make the most with these funds, and find some ways to do what we most need done, which is lower our overall tax burden by creating smaller, smarter government.

I think I've taken enough of the committee's time, I suspect you have a long day ahead of you, I want to thank you in advance for your hard work and dedication to this issue. **I am happy to help in any way I can - this is issue number one for me as it is for many Mainers and I wish you the best of luck.** I am happy to answer any questions you may have.

Thank you.

TESTIMONY OF

MARTHA FREEMAN
DIRECTOR OF STATE PLANNING

TO THE

JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM
DECEMBER 14, 2004

IN SUPPORT OF LD 1 AND LD 2

Senator Damon, Representative Woodbury, and members of the Joint Select Committee on Property Tax Reform: My name is Martha Freeman. I'm Director of the State Planning Office, testifying today on behalf of the Administration in support of LD 1 and LD 2.

First, I want to thank all of you—Committee members, President Edmonds, Speaker Richardson, all of legislative leadership, and all legislators—for making today possible. The Legislature's fast action on December 1st to establish this Committee gives Maine people an excellent opportunity for immediate, responsible property tax reduction.

The Governor made this commitment to Maine people and the new Legislature: Property tax reduction would be his first order of business. LDs 1 and 2 fulfill that commitment. These bills offer immediate property tax reduction for all Maine people. And they put in place longer-term strategies to reduce the tax burden and improve the economic health of our state and our citizens.

Since the Governor unveiled his proposal, I've heard and read many favorable comments. It strikes me that there's a common theme to these descriptions: the Governor's plan has been called "an excellent blueprint", "the right architecture", and a "good foundation" for property tax reduction. Those phrases capture what we all must do for the people of Maine: We must build property tax reduction that's in the public interest.

This fits with the Governor's other goals for our state and citizens. He's worked to build a more prosperous economy. He's worked to build good-paying jobs. He's worked to build affordable, quality health care. He's worked to build excellent educational opportunity for all Maine students.

Despite some struggles over the last two years, much has been accomplished with the help of many in this room and of all political persuasions. Now we must work together to accomplish immediate, responsible, and effective property tax reduction for Maine people. We must get this job done now. It's going to take teamwork from all of us.

LDs 1 and 2 set forth the framework for successful tax reduction. Last week, this Committee provided me, Commissioner of Education Sue Gendron, and several of our expert colleagues the chance to review LDs 1 and 2 with you in detail. All of us will be available again for your work sessions, so today I'll just outline the underpinnings of these bills.

LDs 1 and 2, together, provide a package of property tax reduction. The Governor's bills offer property tax reduction for all Mainers without any increase in other taxes. The Governor believes in tax reduction, not tax increases. LD 1 establishes a goal of getting our state to the national average in tax burden, and a blueprint for achieving that goal in 10 years.

LDs 1 and 2 provide a safety net for Maine property taxpayers as we move toward greater property tax reduction for all. By expanding the Maine Residents Property Tax Program and establishing a Tax Deferral Program, LD 1 provides assistance for Mainers with property tax bills exceeding 6% of income.

I need to clear up something about this 6% figure. LD 1 does not permit property taxes to rise to 6% of income. Quite the contrary. The Governor's proposal reduces property taxes immediately, and moves us to the national average in property tax burden. As property taxes are going down, LD 1 provides optional extra state assistance for property taxpayers with some of the highest tax bills. LD 2 offers another tool—called homestead land valuation—for easing the property tax bills of Maine principal residents at the option of municipal voters.

A key principle of the Governor's tax reduction proposal is respect for local decision-making, as in LD 2. Also, LD 1 rewards collaboration among schools and among municipalities to achieve efficiencies and cost-savings.

Finally, LD 1 requires the State to pay 50% of the cost of education in Fiscal Year 07 and 55% in Fiscal Year 09. Ninety cents of every dollar of this additional state aid will reduce property taxes. Only a majority of voters in affected municipalities can override this property tax reduction. Additional spending caps at the school, local, and county levels will limit property taxes further.

Now, some might say to you that a 4-year phase-in to a 55% state share of school funding is somehow illegal or disrespectful given this past June's referendum. Neither is the case.

Since the June referendum provided no method of funding the 55% state share of education, it's up to the Governor and Legislature to figure out how to do that. LD 1 requires the state budget to come up with a $250 million increase in state education spending over the biennium, including paying 100% of special education costs. The Governor will do this without raising broad-based taxes. That's a responsible, respectful way of increasing education spending, reducing tax burdens, and putting all of state government under the state spending cap provisions in LD 1.

In closing let me say this: Over these last two years, we in Maine considered and debated just about every idea under the sun for reducing property taxes. The Governor drew upon the ideas of many legislators, and many other concerned citizens, in crafting LDs 1 and 2. I believe he's built a property tax reduction proposal that's just about right. It excludes extreme suggestions from any side. For example, the Governor doesn't endorse putting spending caps in the Constitution or raising other taxes to provide property tax reduction.

What the Administration does support is working cooperatively with your Committee, with legislators of all parties, and with interests of all stripes. I believe the Governor's bills do provide the foundation for immediate, responsible, and effective property tax reduction for all Maine people.

My colleagues and I look forward to working with you further as you finish building property tax reduction in the public interest, for all Mane people.

Thank you for this opportunity to speak with you. With your permission and when you're ready, Commissioner Gendron would like to say a bit more about the education components of LD 1. But I'd be happy to take any of your questions now. Thank you all again.

State of Maine
DEPARTMENT OF EDUCATION

Testimony of Susan A. Gendron, Commissioner

Supporting L.D. 1

An Act to Increase the State Share of Education costs, Reduce Property Taxes and Reduce Government Spending at All Levels.

Before the Joint Select Committee on Property Tax Reform.

Presented by: Representative Richards

Cosponsored by: Senator Edmonds

Date: December 14, 2004

Senator Damon, Representative Woodbury and Members of the Joint Select Committee on Property Tax Reform:

My name is Susan A. Gendron and I am here today representing the Governor and the Department of Education speaking in support of L.D. 1, An Act to Increase the State Share of Education costs, Reduce Property Taxes, and Reduce Government Spending at All Levels.

This bill proposes landmark legislation in that it provides $250 million in additional funds to incorporate the full implementation of the Essential Programs and Services (EPS) model for education funding; realization of the level of state funding at 55%, in general, and at 100% for special education; provision of incentives for the efficient delivery of education as well as property tax relief and spending limits at the state and local level.

This bill, as I said, allows full implementation of Essential Programs and Services and subsequently allows the implementation of Maine's Learning Results to stay on schedule. We will have an adequate and equitable level of state funding of schools at 55% to support the high content standards and student performance standards required by the Learning Results. We will be preparing students to meet the employment and life demands of the 21st century.

Specifically to education, this bill:

- Repeals Chapter 606 "School Finance Act of 1985 and replaces it with Chapter 606-B" Essential Programs and Services Act.
- Provides state support for 100% of EPS defined special education costs.
- Provides 55% state share of K-12 education costs over four years, in the year 2009.
- Limits annual increases in total for state and local contributions for EPS to 2.75%.
- Defines the Special Education cost component of EPS including an additional weight for funding special education students up to a minimum of 15% with special provisions for additional consideration for high cost in-district and out-of-district special education students and establishes an appeals procedure for school administrative units to apply for additional special education funds.
- Defines the Transportation cost components of EPS based on the numbers of resident pupils, the number of miles of roads, plus approved adjustments (special education, ferry services, vocational education) Provisions also include an appeal process and a necessary small unit adjustment.
- Establishes an effective delivery of Educational Service Fund through a 2% set aside of GPA for school administrative units in developing strategies to achieve effectiveness, encourage collaborative, and joint delivery of the funds would be established at 0.5% of GPA in FY 06, and increase by 0.5% per year to 2% in FY 2009 to coincide with the 55% state share of funding education.

In addition 90 cents of every dollar of increased funding is available for property tax relief. The 90% level of return allows the state to use the remaining 10% to make provisions for those communities that have not yet been able to reach their local commitment to EPS. It recognizes that not all school administrative units are at the funding level required by EPS. Nor may they be able to meet the local commitment required within the framework of the model. These school administrative units would be given a four year ramp equivalent to 25% of that amount each year.

In conclusion, the Department of Education enthusiastically supports passage of LD 1 which fully implements the Essential Program and Services model of education funding (including special education and transportation), provides adequate and equitable education funding to allow implementation of Maine's Learning Results (55% of all education 100% of special education), provides incentives for the efficient delivery of education, establishes spending limits for education at the state and local level, and provides property tax relief of 90% of every dollar increases in state funding.

I urge a unanimous "Ought to Pass" Committee report on this bill, and I and members of my staff are available to the Committee as it deliberates this bill which is so important to funding education and providing property tax relief for Maine's citizens.

Thank you for your consideration and I would entertain any questions you may have.

GS:cs

**Testimony**
**On**
**LD #1 and LD#2**

Good day, I am Sen. Karl Turner of Sen. District 11, six communities in Cumberland County.

First, I strongly endorse the objective of moving Maine from #2 to #25 in terms of tax burden by 2015. This must be the benchmark by which we gauge elements of this bill. The over-arching umbrella under which these elements operate has to be strong, meaningful and viable limitations on the growth in spending at all levels of government. Without such limitations, everything that follows is insufficient.

Limitations in spending growth must have constitutional protection so that they can stay the course over the long term. The growth allowed has to be less than the growth in Mainers paychecks. Otherwise, when you consider the federal tax burden on paycheck growth, Mainers take home pay will decrease while state tax collections increase. The limitations at all levels must be consistent.

Funding the ramp up from 43% to 55% should be done as provided by the approved citizens' initiative, not over the several years suggested by the LD #1. The money should be provided by the requirement that it generate a dollar for dollar reduction in property taxes at the local level.

The circuit breaker program should have expanded funding. Funding for that could best be generated by eliminating the Homestead Exemption. This will generate an additional $40M for the circuit breaker and puts our property tax relief exactly where it can do the best good.

Providing a fund sourced from the bond market for property tax deferral would replace an opportunity already provided by the existing market. I would strike that provision from the bill.

On LD #2, I would make it a requirement rather than a local option for implementation.

Thank you.

# Testimony of Representative Barbara Merrill

Property tax reform must start with the reform of county government because it is the fastest growing service which is dependent on property taxes. Over the last ten years property taxes have risen 53%, twice the rate of inflation. Municipal government has held the increase close to the rate of inflation, while county government has gone up **three times faster than inflation.** Equally important, county governments problems are structural and can only be fixed by us.

I am indebted to the people of Islesboro for providing the impetus for me to focus on the need to reform county government. That town voted to move from Waldo to Knox County. They pay $600,000 a year to county government and get very little in return and they wanted to be in the same county with their sister islands. While some people asked who would pay the bill if Islesboro left Waldo County, I asked if Islesboro was paying too much whether we were all paying too much. And whether it was time to reconsider county boundaries. So I looked into it. This is what I found.

- We need to take county government off property taxes.
- We need to form bigger counties to reduce duplication and spread out cost.
- We should not force towns to pay for services they don't need.
- It is wasteful and inefficient to have sixteen counties provide for jails.
- The blame for this problem lies squarely with the legislature of the last 30 years.

A recent editorial in one of my local papers wrote that my bill is not likely to pass because, "Maine prefers to try and improve things without actually changing anything." The history of county government reform reinforces their pessimism. Thirty years ago, when then Senator Joe Brennan was seeking to create full time prosecutors he realized it wasn't practical for sixteen counties to try to foot this bill. So he created eight prosecutorial districts. It worked well from the beginning, but has it never occurred to the legislature to extend it to other services. Over the last fifteen years we have had two studies which have called on the legislature to move county government to a fee for service system, end or cut back its reliance on property taxes, and have the state take responsibilities for jails. The esteemed Senate Chair served on one of those commissions himself. But what have been the results? Zero.

That said, I do not think I am tilting at windmills. Good ideas often wait for years until the moment of opportunity. The public cry for property tax reform has created such a moment and **we should all be determined to use it not just to shift how we pay for government, but to actually save the taxpayers money.**

I know that on first blush when voters, or legislators hear about county reform they think it doesn't have much to do with them. But this will change with the understanding that county government is being forced to waste our money when it could be transformed into a vehicle to improve efficiency and lower the costs of local government.

Wasting money? Think about jails. Jails house people awaiting trial and most of those sentenced to less than one year. There was a time when the counties provided these services in a few cells located in or nearby the court house. Now the jail populations have grown far beyond what can be accommodated in a few cells. Also humane considerations enforced by the federal

and state governments require jails to be far more sophisticated. Once state mental health institutes housed most Maine people with serious mental illness, now our jails shoulder much of that responsibility. We have moved from a horse on dirt paths to police cars traveling 50 miles an hour and we haven't reexamined the idea of jails in almost every county? What we need and can afford to pay for is three to five facilities statewide with a temporary lock up near each court house.

As to the other functions of county government the facts call out for combining the small counties. There is an inverse relationship between the size of the county and the cost to taxpayers for county services. The seven counties with the largest population are the seven counties which deliver services at the lowest cost per person. The nine smallest counties, which I argue should be consolidated, are the nine most expensive.

Some say let's just end county government, but I am not in this camp. I believe reformed counties could help municipal governments and schools save money and improve services. Consider local law enforcement. Many municipalities provide local police and also pay the county sheriff through their county taxes. I believe every town should be able to chose one and not be required to pay for both. However, I also believe that if a town relies on the county wide system it could provide better protection at a better price and avoid the problems of favoritism which often haunt local police in small municipalities. It should be a choice for each town, and we must retain and strengthen county government to provide that alternative

**I met thousands of people during my campaign. Many of these people were working more than one job and still struggling to make ends meet. My bottom line on this county thing is very simple, we shouldn't be wasting their money, even if it takes us a little extra time and a lot of extra work on all our parts to get it done. I look forward to working with you all as you proceed in this historic work.**

I have included in your handout

* a copy of my testimony, a breakdown of the growth in property taxes by cost center
* a fact sheet on the counties including population, evaluation and costs
* a sheet comparing size of counties with cost of county government
* a suggestion about how the state could finance the cost of the jail system.
* a copy of the executive summary from the 1997 study
* a copy of the executive summary from the 1989 study

# Cost of County Government

## As a Factor of County Population

| Counties- Largest to Smallest (population) | Counties- Least Expensive Per Person to Most (Cost of county government minus jail) |
|---|---|
| Cumberland (270,923) | Kennebec ($47.63) |
| York (198,026) | Penobscot (($48.31) |
| Penobscot (146,982) | York ($51.00) |
| Kennebec (119,683) | Androscoggin ($55.79) |
| Androscoggin (106,115) | Cumberland ($57.58) |
| Aroostook (73,428 | Oxford ($58.77) |
| Oxford (56,151) | Aroostook ($67.28) |
| Hancock (53,792) | Somerset ($70.38) |
| Somerset (51,154) | Sagadahoc ($79,55) |
| Knox (40,406) | Knox ($89.10) |
| Waldo (38,248) | Hancock ($92.95) |
| Sagadahoc (36,455) | Franklin ($94.75) |
| Lincoln (34,729) | Waldo ($101.97) |
| Washington (33,479) | Washington ($110.52) |
| Franklin (29,763) | Lincoln ($143.97) |
| Piscataquis (17,394) | Piscataquis ($149.48) |

**The seven largest counties are also the seven least expensive.**

**The nine smallest counties, which will be consolidated by county reform are the nine most expensive counties.**

# State Government Operating Jails
## Consolidation, Specialization, Off Property Tax

**On average, moving jails off property taxes will reduce the county taxes paid by municipalities 37%.** Of even greater importance overtime the state will be able to consolidate the system and develop economies from fewer and more appropriate facilities . For example most jail inmates serving sentences for misdemeanors could be placed in one low security facility at a significantly lower cost than a county jail.

**Paying for Our Jails: One Possibility**

Real Estate Transfer Tax.

Currently raises $31.5, of that current law dictates that10% remains in county, the remaining 28.5 million is divided 45% goes to general fund, 45% to Housing Authority. However in this biennium 22 million went to the general fund, 6 million to the housing authority.

Proposed to double income from transfer tax by increasing base and making progressive. The revenue of 63 million would be dispersed as follows: 5% remain with counties (about 3 million) , 10% to housing authority (6.3 million) 10% to general fund (6.3 million) 75% to the jail fund (47.5 million)

# PROPOSAL TO REDUCE THE COST OF GOVERNMENT THROUGH REFORM OF GOVERNMENTAL RELATIONS

November 1997

Final Report
Prepared for the Governor
by the Task Force on Intergovernmental Structure

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# EXECUTIVE SUMMARY

This report is a product of the Task Force on Intergovernmental Structure, a 21-member group of municipal, county, and state officials. The Commission was authorized by Governor Angus King in an Executive Order dated October 1, 1996, for the purpose of:

- relieving property taxes through more efficient delivery of local services;
- reducing duplication and fragmentation of services between levels and among units of government;
- matching the responsibility for providing governmental services with the responsibility for funding those services; and
- improving communications and consultations between levels of government.

The Task Force is proposing reform in state-county-local relations that will:

a. Permanently reduce property taxes collected by counties statewide by an estimated 62% (by county, this ranges from about 50% to 85%).
b. Greatly expand the opportunity for joint municipal services, using county government as a vehicle for voluntary cooperation. Such voluntary cooperation can save potentially millions of dollars annually. For every 1% of efficiencies gained statewide, there would be savings of $5 million. The state also will have opportunities to turn to counties and municipalities where decentralization of its services makes sense.
c. Reduce duplication and improve cooperation at all levels of government.

It will do this by:

a. **Having state government pay for the mandates** it requires of county government and that now are paid for by the property tax. These include jails, support for the district attorneys' offices and the courts, the registries of deeds and probate, and other law enforcement functions. These come to about 62% of all county costs now paid by the property tax, roughly $37 to $38 million per year. The payment would be made to counties through establishing a **county revenue sharing program**, similar to the community revenue sharing program. The Task Force is asking the Legislature's Taxation Committee to include funding for this shift in costs in its tax reform package for the second session of the 118th Legislature.

b. **Freezing, by state law, the property taxes** charged to municipal governments to pay for the remaining 38% of costs of county services (with flexibility in case of emergencies or needed new debt service).

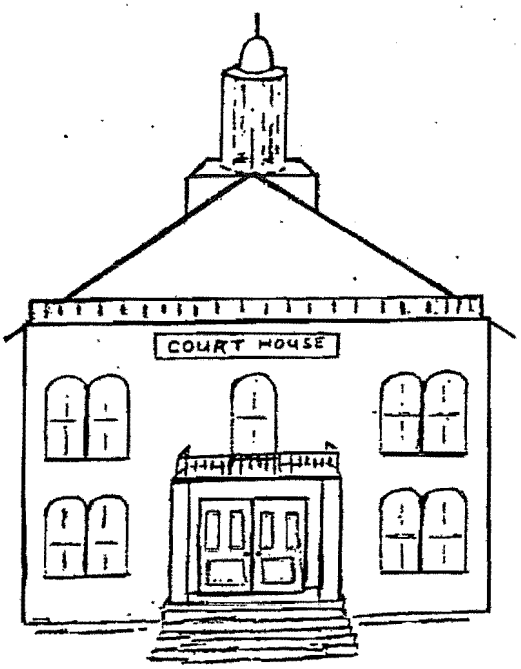
c. Assuring that the shift in funding of county services from the property tax to broad-based state taxes **does not translate into an increase in overall tax burden in the state.**

d. **Enabling county governments to design and offer local governments**, on a competitive, fee-for-service basis, an array of municipal services, and encouraging local governments to take advantage of such joint services where they would reduce costs or improve effectiveness.

e. **Assuring that county government has the capacity** to design and deliver such services reliably. Professional administration would be required, and those seeking the office of treasurer would need to meet minimum qualifications.

By the end of CY2003 each county would be required to prepare new or amended charters incorporating these provisions and to put the charters to referendum. Voters may choose either to adopt the charter or to keep their present structure of county government. The new fiscal arrangement, in which the state takes responsibility for designated county expenses and local property tax rates charged for county services are frozen, would take effect upon adoption by a county of a new charter.

The proposal also urges the Maine Municipal Association, the Maine County Commissioners Association, and the Governor to **create, by a memorandum of agreement, an Intergovernmental Advisory Commission** to monitor progress under the reform, improve communications among the three levels of government, sponsor pilot projects, and recommend additional efficiencies.




# COUNTY GOVERNMENT

## ADMINISTRATIVE

County Commissioner
County Clerk
County Treasurer
Registrar of Deeds
Funding Social Service Organizations

## GOVERNANCE OF UNORGANIZED TERRITORY

Serves as Governing Body for Unorganized Territory

## JUDICIAL

Probate Judge
Registrar of Probate
District Attorney
Superior & District Courtrooms

## PUBLIC SAFETY

Law Enforcement
Corrections
Emergency Planning

FIGURE 1
COUNTY GOVERNMENT

# COUNTY GOVERNMENT STUDY
## EXECUTIVE SUMMARY

Recently, the functions of county government in Maine have been under increasing scrutiny. Property tax increases and questions regarding county government services are the subjects of debate among Maine residents, municipal and county officials, and legislators. County government has long provided important services to the people of Maine, but the increased costs to continue these services have prompted discussion on the need for county government. In the First Regular Session of the 114th Legislature a bill was introduced to offer a referendum to abolish county government and reassign its functions to state and municipal governments (LD 817). The bill died in the legislature but a study of county government was authorized by the Legislative Council in July, 1989.

The study subcommittee was charged with investigating four policy questions:

- What are the functions of county government in Maine?
- How efficient are counties in performing these functions?
- Would it be more appropriate for state or municipal government to perform any of these functions?
- What would be the costs or savings of the redistribution of any of these functions?

After study, the subcommittee reached consensus on a number of legislative and administrative recommendations. Three legislative bills are included in the report. An Act to Reform County Government is the unanimous report of the study subcommittee, proposed to implement the 15 legislative recommendations. The report includes two other bills, which embody additional recommendations supported by some members of the subcommittee.

**Legislative Recommendations**

The subcommittee recommends that counties establish autonomous budget procedures by January 1, 1992. The process will require county commissioners to prepare the budget and present it for final approval to a county budget committee. As the commissioners are the policy-making branch of county government, the subcommittee recommends that counties have three commissioners and that every county hire a county administrator to manage the county's business. Among other functions, the county administrator would perform the functions previously performed by the county clerk, and could also serve as county treasurer. If not, the treasurer would become a position appointed by the commissioners. The subcommittee also recommends that the register of deeds become an appointed position.

The subcommittee recommends that the revenues retained in the county from the register of deeds be sufficient to support the expenditures of that office, including overhead. To assure this, the amount the counties receive from the real estate transfer tax should be increased. The subcommittee recommends the expansion of the permissible uses of the Corrections Fund to include operating costs of the county jails.

The subcommittee also recommends that county jails be funded by the State Department of Corrections. To better insure community safety the subcommittee recommends that sheriffs meet the same training qualifications as deputies and that the Maine Emergency Management Agency review the regional structure of the emergency management program.

The subcommittee finds that the Superior and District Courts serve a state function, and recommends that the State Judicial Department assume the full cost of their courtrooms. The subcommittee also recommends that the Attorney General's office assume the operating costs of the district attorneys' offices. Finally, the subcommittee recommends that the district attorneys be relieved of representing the counties in legal matters, with counties contracting for legal services as needed.

As previously mentioned, a bill is proposed which would implement these recommendations. It is titled "AN ACT to Reform County Government".

**Administrative Recommendations**

The subcommittee recommends that counties use improved, standardized budget reporting procedures as prescribed by the State Auditor.

On several major issues for which no action was recommended, the subcommittee recommends further review. The subcommittee recommends that the Judiciary Committee conduct a study of the Probate Court, including consideration of full time probate judges, their appointment, duties, and conflict of interest problems. The subcommittee recommends that the Joint Standing Committee on State & Local Government review the performance of counties as the government of the unorganized territories. The subcommittee also recommends that the Joint Standing Committee on State & Local Government and other members of the Legislature continue to explore the appropriate method of delivering law enforcement to rural areas that are unable to afford full time coverage.

**Additional Recommendations**

Some members recommend that a considerably larger portion of the real estate transfer tax be used to fund county government, rather than going to the State. In addition, some members recommend that additional revenues be generated by increasing the amount of money distributed to counties from the Jail Surcharge Fund. A bill is included which would do this, "AN ACT to Help Fund County Government".

Some members recommend that the district attorneys' staff be transferred to the Attorney General's office. A bill is included which would do this, "AN ACT to Transfer All Functions and Personnel of the District Attorney from the Counties to the State.

Some members recommend that county jails be administered by the state Department of Corrections, and support LD 1189, a carry-over bill, to do this.

| County | total valuation billions | valuation combined billions | Population | Population combined | income per capita | income p/c averaged | house value median | house value averaged | expenditure total 2004 millions | expenditure combined | jail expenditure millions | mill rate | cost per person | expend as % income in county | valuation per person | valuation per person conbined | per person cost of county without jail costs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Androscoggin | $5.25 | $11.95 | 106,115 | 192,029 | $18,734 | $17,840 | $89,900 | $85,450 | $9.27 | $17.37 | $3.35 | 1.23 | $87 | 0.47% | $49,428 | $62,204 | $55.79 |
| Oxford | $4.10 | | 56,151 | | $16,945 | | $82,800 | | $4.30 | | $1.00 | .79 | $77 | 0.45% | $73,017 | | $58.77 |
| Franklin | $2.60 | | 29,763 | | $15,796 | | $78,300 | | $3.80 | | $0.98 | 1.16 | $128 | 0.81% | $87,357 | | $94.75 |
| Washington | $2.00 | $9.30 | 33,479 | 87,271 | $14,119 | $17,675 | $68,700 | $94,263 | $5.00 | $11.70 | $1.30 | 1.87 | $149 | 1.06% | $59,739 | $106,565 | $110.52 |
| Hancock | $7.30 | | 53,792 | | $19,809 | | $109,600 | | $6.70 | | $1.70 | .64 | $125 | 0.63% | $135,708 | | $92.95 |
| Somerset | $3.00 | $8.60 | 51,154 | 170,837 | $15,474 | $17,505 | $70,100 | $81,500 | $6.00 | $15.60 | $2.40 | 1.5 | $117 | 0.76% | $58,646 | $50,340 | $70.38 |
| Kennebec | $5.60 | | 119,683 | | $18,520 | | $87,200 | | $9.60 | | $3.90 | 1.25 | $80 | 0.43% | $46,790 | | $47.63 |
| Knox | $4.50 | $14.60 | 40,406 | 149,838 | $19,981 | $19,639 | $112,200 | $108,100 | $6.40 | $23.10 | $2.80 | 1.16 | $158 | 0.79% | $111,370 | $97,439 | $89.10 |
| Waldo | $2.90 | | 38,248 | | $17,438 | | $90,100 | | $5.60 | | $1.70 | 1.82 | $146 | 0.84% | $75,821 | | $101.97 |
| Sagadahoc | $2.70 | | 36,455 | | $20,378 | | $110,200 | | $4.60 | | $1.70 | 1.4 | $126 | 0.62% | $74,064 | | $79.55 |
| Lincoln | $4.50 | | 34,729 | | $20,760 | | $119,900 | | $6.50 | | $1.50 | 1.15 | $187 | 0.90% | $129,575 | | $143.97 |
| Penobscot | $7.20 | $8.14 | 146,982 | 164,376 | $17,801 | $17,420 | $82,400 | $80,167 | $11.50 | $15.10 | $4.40 | 1.1 | $78 | 0.44% | $48,986 | $49,521 | $48.31 |
| Piscataquis | $0.94 | | 17,394 | | $14,374 | | $62,300 | | $3.60 | | $1.00 | 1.79 | $207 | 1.44% | $54,042 | | $149.48 |
| Aroostook | $2.80 | | 73,428 | | $15,033 | | $60,200 | | $6.30 | | $1.36 | 1.24 | $86 | 0.57% | $38,133 | $38,133 | $67.28 |
| Cumberland | $26.40 | | 270,923 | | $23,949 | | $131,200 | | $28.80 | | $13.20 | .70 | $106 | 0.44% | $97,445 | $97,445 | $57.58 |
| York | $19.50 | | 198,026 | | $21,225 | | $122,600 | | $17.30 | | $7.20 | .59 | $87 | 0.41% | $98,472 | $98,472 | $51.00 |
| | | | | | | | | | $135.27 | | $49.49 | | | | | | |

A glance at this chart shows that no one would starting new in the 21st century would align our counties in their current configuration. The difference in total evaluation between the richest and poorest county is 2800%. Variance in population is 1600%. Every person living in one county contributes 0.41% of income to their county government, in another its 1.44% , 350% more. The valuation per person varies from a low of $48,986 to 135,708 a variation of more than 300%. Our geography does not let us come close to equalizing these factors, but we can create counties which have the population, evaluation and income to support county services and provide them in an efficient fashion.

Testimony of Representative Charles Earl Crosby III, Topsham

December 14, 2004

at the first public hearing on property tax reform

To The Joint Select Committee on Property Tax Reform (287-1692)

L.D. 1 An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.
L.D. 2 RESOLUTION, Proposing an Amendment to the Constitution of Maine To Limit the Rate of Change of Taxable Value of Homestead Land.

To:

Sen. Dennis Damon, D-Hancock County, Senate Chair
Sen. Joseph Perry, D-Penobscot County
Sen. S. Peter Mills, R-Somerset County, lead Senate Republican
Sen. Richard Rosen, R-Hancock County
Rep. Richard Woodbury, I-Yarmouth, House Chair
Rep. Arthur Lerman, D-Augusta, lead House Democrat
Rep. Benjamin Dudley, D-Portland
Rep. Edward Dugay, D-Cherryfield
Rep. Jaqueline Norton, D-Bangor
Rep. Nancy Smith, D-Monmouth
Rep. Harold Clough, R-Scarborough, lead House Republican
Rep. Vaughn Stedman, R-Hartland
Rep. Leonard Earl Bierman, R-Sorrento
Rep. Earle McCormick, R-West Gardiner
Rep. Patrick Flood, R-Winthrop

Testimony of Representative Crosby:

To the distinguished Chairs, Senator Damon of Hancock, Representative Woodbury of Yarmouth and distinguished Senators and House members of this joint select committee.

Before being elected this past November as a representative in house district 60 representing Topsham I have served as a Sagadahoc County Commissioner for 12 years and before that as a Topsham finance committee member and Selectman. I rise today to voice my concern over the proposed 2.75% cap on county government proposed in L.D. 1. I am concerned that LD1 does not have a mechanism built in to allow counties to pay for services that they have a State mandate to perform. I am deeply concerned that imposed tax caps will not strengthen county government but in fact weaken it over time.

The most glaring example of how the cap could have a negative effect is with the unpredictable costs associated with incarceration of prisoners in the county jails. The county I have served is a prime example of this problem. Sagadahoc County is the only county in Maine that currently does not have a jail. Early in my first term as a commissioner I was one of the elected officials who negotiated a ten year contract with Kennebec County for our prisoners to be housed there at the cost of $65 per day. A few years ago, due to rising and dangerous inmate population levels, the State Department of Corrections would no longer allow our county to continue with the agreement, even though both counties were trying to make the arrangement work. This forced Sagadahoc to look elsewhere, while we continued to explore a solution for our long term problem. Most other county jails in Maine were and still are near capacity so this left us with little bargaining power as we looked for new space. We were fortunate to find bed space available in Cumberland County and are now paying more than $100 per day. To solve our long term problem we are currently building "Two Bridges Regional Jail" with Lincoln County, the first regional jail north of Virginia which will be open sometime in 2006. However, in the meantime we are paying a significant increase in our daily rate.

The other issue that is a serious problem with a county tax cap is the medical costs associated with caring for a prisoner population. It is difficult to budget what figure to use since we do not know the type of person that will be incarcerated. This has been a problem for all twelve budgets I have worked on.

In summary, I urge you to consider lifting the cap or putting some mechanism in place other than the cumbersome and expensive referendum process to address budget shortfalls in county services that must be provided by this local governmental specifically when it comes to incarceration and medical costs. Thank you.

Representative Charles Earl Crosby III, Topsham

# Statement to Joint Select Committee on Property Tax Reform

Chairs Senator Dennis Damon (D)
Representative Richard Woodbury (I)
December 14, 2004, State House, Augusta, Maine

Marlee Turner, Brownfield, HD 97 on the NH border

Some thoughts from HD 97 (gleaned in my campaign for State Rep)

People like living in Maine.
Need their tax money for Health, Food, to survive! (*Hiram* meds or food)
People want to pay less taxes. People want same or better services.
(Primary school child story in *Fryeburg* "No taxes" Learned about schools and plowing roads "yes taxes")

Some people fear losing their 3 generation home because property tax is too high (e.g *Parsonsfield* old stone farm)
THEY WANT HELP RIGHT AWAY
Other people don't want to lose property tax income from second home owners/out-of-state owners

People are very angry that the Legislature wasted 4 months last session with no abatement in taxes.
People doubt the new Legislature can do better!

Some say the 5 yr transition to 55% state EPS is reasonable.
Many people want the 55 % NOW (But they do not want to increase income or sales tax rate to pay for it)
Perhaps expand the sales tax base
e.g. Should all property owned by private schools be tax free?

State is paying about 44% of education costs now, Federal government mandated Special Education. Feds were expected to pay about 40% of Special Ed. They have not paid. What are you doing to get the Feds to pay for what they mandated?

Big business should not have special tax exemptions.
Do not give up the BETR program which helps attract and keep business.
Expand the new Pine Tree Zones, especially near NH border, to help small businesses get started and be competitive.

The Governor and State Chamber have crafted a good proposal !
Do not accept a counter proposal from either side of the aisle
Make minor changes as needed on Governor's bill
Avoid legislating by referendum! Legislature provides needed discussion, sorting, weighing of issues.
Labor together (co-laborate)
Find areas of agreement. Build consensus

To have true tax reform, ask Will <u>this</u> serve the people?

Thank You!

# HOUSE OF REPRESENTATIVES

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TTY: (207) 287-4469

**James M. Schatz**
P. O. Box 437
Blue Hill, ME 04614
Residence: (207) 374-5204
Business: (207) 374-5126
E-Mail: RepJim.Schatz@legislature.maine.gov


Date: December 13, 2004

To: Senator Dennis Damon
From: Representative Jim Schatz/Blue Hill Selectman
Re: Testimony for the Select Committee on Tax Reform

Dennis:

Attached is a statement I would like to formally submit to the committee. I'm sorry I could not appear in person. I would be happy to answer any questions or appear at a later date if you wish.

TESTIMONY:

The purpose of this testimony is to ask the committee to review the portion of the proposed Property Tax Reform package that relates to municipal spending. The language in the proposed bill would imply that this Legislation would act to control and manage budgeting and spending at the local level.

I would encourage the committee to remove the language that would make municipalities subject to rules, regulations or constitutional spending caps for the following reasons:

1. Local elected officials are driven by the same constituent demands and priorities as those of us elected at the State level. Property Tax reduction is at the top of their list of objectives.
2. According to the latest figure, there are over four hundred municipalities in Maine that operate with a Town Meeting form of Government. These Town Meetings enable the Legislative body of the Town (its citizens) to establish the budget and spending priorities for their Town. Micro managing a Town's use of their property tax funds undermines and preempts the long established fiscal control opportunity vested in the citizens of those towns.
3. The implementation and management of any system of control will require the establishment and creation of rules, procedures, and reports designed to monitor, regulate, evaluate and deliver corrective action to the hundreds of units of local government operating in Maine. This supervision function will have a cost. The cost may be significant at both the State and local level.

Finally, I would note that Property Tax Reform should be designed to enable not disable. Please consider minimizing the nature of the requirements which will be placed on municipalities.

Thank you,

Jim

James M. Schatz
State Representative District 37

District 37 Surry, Sedgwick, Penobscot, Castine, Brooksville, and Blue Hill

Printed on recycled paper

# Testimony by MSEA-SEIU President Dana Graham in Support of Governor Baldacci's Proposal for Property Tax-Reform

December 14, 2004

Senator Damon, Representative Woodbury and members of the Joint Select Committee on Property Tax Reform.

DANA GRAHAM
President

BRUCE HODSDON
Vice President

CARL LEINONEN
Executive Director

My name is Dana Graham, president of the Maine State Employees Association, Local 1989 of the Service Employees International Union. On behalf of the over 10,000 members of our Union, I am here to testify in support of Governor Baldacci's proposal for property-tax reform.

SERVICE EMPLOYEES
INTERNATIONAL UNION
AFL-CIO, CLC

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Twice this year, Maine people have sent a message that they want responsible tax relief. It's noteworthy that in June, Maine people overwhelmingly approved raising the state's share of public education funding to 55 percent.

Maine people spoke with similar authority in November when they rejected the ill-conceived Palesky Initiative. What they said in November is they want a balance - a balance between tax relief and providing quality public services.

Just as we at MSEA-SEIU listen to our members, Governor Baldacci's property-tax reform proposal shows that he is listening to Maine people. The Governor's proposal is a thoughtful approach to meaningful tax reform for the people of Maine. It addresses the issue of property taxes and the issue of government spending at the local and state level.

It will create responsible limits on spending at both the state and local level and provide meaningful tax relief. It will allow substantially increased state funding for education. And it will provide the resources that are needed to continue to provide the quality public services that Maine people expect and demand.

Our members, particularly our retired members on fixed incomes, understand the need for tax reform. After all, we're taxpayers, too. We're very encouraged that the Governor's proposal will give people the tax relief they deserve and at the same time maintain quality public services.

Please support the Governor's proposal for tax reform. Thank you and I would be glad to answer any questions.

Domtar Industries Inc.
96 State Street
Augusta, ME 04330
Tel.: (207) 623-2772
Fax: (207) 622-1427

December 14, 2004

Testimony

In Support of

LD 1

An Act To Increase the State Share of Education Costs,
Reduce Property Taxes and Reduce Government Spending
At All Levels

Presented To:

122nd Maine Legislature
Joint Select Committee on Property Tax Reform

Presented By:

James Oliver
Controller
Domtar Industries Inc.
144 Main Street
Baileyville, Maine 04694
207-427-4063

Good morning Senator Damon, Representative Woodbury and distinguished members of the 122nd Maine Legislature's Joint Select Committee on Property Tax Reform. My name is Jim Oliver and I am a resident of Baileyville, Maine. I am employed as Controller of Domtar Industries Woodland pulp and paper mill.

Since 1906 there has been a pulp and paper mill on the banks of the St. Croix River in Washington County. Today our facility operates a modern, integrated pulp and paper mill employing over 530 people. We manufacture market pulp for shipment to customers around the world, as well as fine writing papers for customers primarily in North America and Europe. Our mill annually pays more than $4.6 million in property taxes to the town of Baileyville. Of that amount, approximately $1 million qualifies for reimbursement under the BETR program. During 2 of the last 10 years, but for the BETR reimbursement, our facility would not have ended the year with a profit.

Our mill has an annual payroll of $39 million and we spend more than $56 million for goods and services to Maine vendors every year.

I appear before you today in support of LD 1, An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels. I want to express appreciation to Speaker Richardson, President Edmonds and Governor Baldacci for making tax and spending reform the top priority for Maine public policy makers. The public has spoken, and continues its cry, for reform.

I've had a copy of LD 1 for the past several weeks, but I must confess, I have not read every word, nor do I understand every concept contained in the document. I prefer to make my supportive comments more general.

The only real and substantive method to achieve tax reform is to address the spending side of the equation. Tax reform without accompanying spending reform merely amounts to a shifting of revenue sources. Said another way, unless the pie is made smaller, it doesn't matter how you make the servings...there is only so much to go around.

Caps on the growth of local and county spending to accompany existing caps on the growth of state expenditures are an appropriate and prudent measure. The Legislature can have healthy debate over what form those caps need to take, but let's not take any more time in putting the caps in place. We also agree with caps on education costs. LD 1's efforts to increase state funding of public education will provide a more immediate and tangible benefit to all Maine property taxpayers.

As the Committee proceeds with its deliberations, I want to make certain that Committee members and the Legislature understand the importance of the BETR program to operations such as Domtar's Woodland mill. 3 years ago, the Woodland mill was acquired by Domtar from Georgia-Pacific. Under our new ownership, there has been an explicit expectation from the mill's owners that the mill will be profitable over a business cycle. During the period of new ownership this expectation has been met, including one

year that fits the category mentioned earlier where the mill's profits for the year were within the margins of our BETR reimbursement. Woodland's owners understand BETR and the objective the program serves of helping to "level the playing field" for states that do not impose a personal property tax on the full value of machinery and equipment used in manufacturing. Our owners understand the fragile partnership between business and government.

During the course of your work, I expect the Committee will be faced with various scenarios for change. Of course the best course of action from our perspective is to follow the lead of many other states and remove the personal property tax altogether. The notion of levying a tax on an asset, regardless as to whether that asset is earning a return, runs counter to many economic models. But we also realize the repeal of the personal property tax may not take place in the immediate future. My plea to the Committee is to make certain BETR recipients remain intact through the process.

In 1995, shortly after the Legislature approved the original BETR program, the Woodland mill received nearly $100 million in badly needed capital investment. Without that investment, much of it going toward environmental improvements, it is quite doubtful the mill would be open and functioning at current capacity. The actions of 1995 were interpreted as a signal that Maine policymakers wanted to make Maine an attractive home for capital. Constant yearly attacks on the program have eroded confidence in BETR. That confidence can be restored by bold and decisive action to protect Maine's

business community by ensuring BETR reimbursements or eliminating the personal property tax altogether.

Thank you for this opportunity to testify before the Joint Select Committee. I await any questions Committee members may have.

# Town of Kennebunk
# Impacts of LD 1

The Town is pleased the Governor has appointed a Special Joint Select Committee on Property Tax Reform and that the proposed bill be reviewed and discussed at the 122nd Maine legislature.

As the Town Manager, of Kennebunk I would like to convey to the Joint Select Committee some concerns and suggestions for this possible new legislation.

The first section of comments relates to the Current Essential programs & services (EPS) funding act and changes proposed by LD 1, found in the **DCF Funding Formula chart.doc** you each have received from the Office of Policy & Legal Analysis. Printed out this document is a total of six pages (landscape layout)

1) GENERAL SECTION (page 1)- Currently under an agreement between Kennebunk and Kennebunkport we have a school funding formula for sharing the cost of education. This was developed by the communities over a few years of discussions and in November of 1968 was approved by each of them and subsequently approved by the legislature that year. This formula has worked for 36 years for the two entities. Under the proposed LD 1, the cost allocation would change based on the new EPS allocation formula. (See attached sheet from Dept. of Educ.) Basically, the change is listed below:

| Town | Kennebunk | Kennebunkport |
|---|---|---|
| Currently | 62.79% | 37.21% |
| EPS New | 77.87% | 22.13% |

Because of this change in allocation funds raised for education the Town of Kennebunk would increase its contribution by 2,000,000 dollars and Kennebunkport would decrease its contribution by 1,600,000 dollars. The reason for the shift is that the new formula is based solely on pupil count, our existing formula is based on the state valuations and with a minor factor of pupil count.

We are asking that an amendment to the current legislation LD 1 be added allowing the existing formula to stand until both communities can meet, determine the true

impact analysis, hold public hearings, and draft a new agreement for approval by the legislature. (Currently there is an exemption in this proposed bill LD 1 for Madawaska School Admin. and SAD 27 to determine a cost share formula) we seek a similar amendment to this legislation. The Town of Kennebunk received data this last week 12/10/04 on the impact of the new formula shift and cannot realistically address this 2,000,000 shift in the school budget. This 2,000,000 shift would result in a $500.00 tax increase to the average home assessment in Kennebunk.

Your assistance in allowing our communities to solve this formula problem as opposed to it just being made at the legislative level would be very much appreciated.

2) EDUCATIONAL COST COMPONENTS (page 2)

(page 2 section A. #6B) We would like to make sure that the regional adjustments are applied to not only salary and benefits as indicated but all operational costs including; system administration, operation and maintenance, supplies and equipment and other instructional support.

(page 2 section B. #1) We would like to see the funding for special education to be modified to the full 100% for all children. The reason being our community has close to 18% of the student body in special education as defined, the limit of 15% of the student body would force our community to fund the 3% difference or 62 students or ($546,000) cost for the special education outside of the EPS calculation. Kennebunk has one of the highest number of group homes for special needs children in the state.

(page 3 section C. # 1) Can we amend this legislation so that an SAD would not need to obtain a reoccurring vote on debt that has already been approved each year.

We would like to have additional language that would allow an S.A.D. to develop a capital plan approved by the voters that enables capital funds to be carried from one year to the next. This would be an excellent tool to allow the SAD to prepare for long term maintenance on facilities and equipment.

3) THE TOTAL STATE CONTRIBUTION (page 5) We would certainly appreciate full funding to the 55% level, but also realize that a shorten ramp up would work provide some of the other issues are address.

4) THE LOCAL CONTRIBUTION (page 5) the elimination of the 2/3 vote on expenditures above the spending target by the legislative body. This should be a simple 50% vote. To hold a referendum vote is approximately a $5,000 cost in Kennebunk. We believe if the voters approve the budget no additional vote is needed.

   The last area in this section is the growth rate factor. Setting a spending limit is not an unusual request, but should be tempered with a phase in just like this proposal on the full 55%. If your going to cap my expenditures compensate the special education needs, and allow time for the SAD's to adjust the current contractual obligations. Our average residential growth in Kennebunk is at least 3% per year (33-35% over 10 years), compounded by the cost of living (CPI 2.5%) will make the 2.75% extremely difficult if not impossible to meet with additional state monies. Perhaps the base amount could start at a higher percentage based on the region then reduce down .5% per year.

This next section of comments relates to the Government Spending/Tax Limits found in the **Spending Limits rsxs.doc** you each have received from the Office of Policy & Legal Analysis. Printed out this document is a total of seven pages (landscape layout)

1) We have concerns that the proposed spending limits even with the adjustment for valuation growth will not adequately cover the necessary cost for the growth communities. These limits 2.75% & valuation % should be higher and the ability to override those base number's should be 50% (not a referendum.

2) The conditions imposed on the municipalities should be the same for the County and State. Lead by example.

Start

**Total EPS Allocation**

## Total EPS Allocation/Cost-Sharing - SAD#71

| 84% Model | Municipality: Kennebunk | Municipality: Kennebunkport |
|---|---|---|
| **Total EPS Allocation** | | |
| **$19,137,841** | | |
| Pupil Count | 77.87% | 22.13% |
| **Town Allocation** | **$14,902,637** | **$4,235,204** |
| State Valuation '04 | $1,513,850,000 | $1,237,500,000 |
| Amount Raised Local | 73.80% | 26.20% |
| (by 7.88 Mills or less) | $11,927,808 | $4,235,204 |
| State Share | $2,974,829 | $0 |
| **Local Only Allocation** | 62.79% | 37.21% |
| **$6,402,885** | $4,020,371 | $2,382,514 |
| **Town Allocation** | **$15,948,179** | **$6,617,718** |
| **Assessment '05** | **$13,964,220** | **$8,275,341** |

SB 62.79%

SB 37.21%

2 million shift up

1.6 million shift down



**Total EPS Allocation**

## Total EPS Allocation/Cost-Sharing - SAD#71

| 100% Model | Municipality: Kennebunk | Municipality: Kennebunkport |
|---|---|---|
| **Total EPS Allocation** | | |
| **$21,719,381** | | |
| Pupil Count | 77.87% | 22.13% |
| **Town Allocation** | **$16,912,882** | **$4,806,499** |
| State Valuation '04 | $1,513,850,000 | $1,237,500,000 |
| Amount Raised Local | | |
| (by 8.39 Mills or less) | $12,701,083 | $4,806,499 |
| State Share | $4,211,799 | $0 |
| **Local Only Allocation** | | |
| **$3,821,355** | $2,399,429 | $1,421,926 |
| **Town Allocation** | **$15,100,512** | **$6,228,425** |
| **Assessment '05** | **$13,964,220** | **$8,275,341** |

Full

SB 62.79%

SB 37.21%

old formula

1.2 million shift incr.

2.0 shift decr.

mil Rate X Y

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www.pulpandpaper.org

**TESTIMONY OF JOHN WILLIAMS**
**President, Maine Pulp & Paper Association**
**In Support of LD 1: Governor Baldacci's Tax Reform Package**

Senator Damon, Representative Woodbury, and Members of the Joint Select Committee on Property Tax Reform:

I am testifying today in support of Governor Baldacci's tax reform package contained in LD 1. Over the past two years I have watched the Legislature struggle with the tax reform issue. We all agree that something needs to be done in this area, but every solution that is proposed has its own set of issues. If tax reform looks only at shifting the burden between property tax, income tax and sales tax, some taxpayers will benefit, but others will be worse off than they are today. Maine's tax burden will remain one of the highest in the country.

Governor Baldacci has recognized that in order to accomplish meaningful tax reform we must look first at the spending side. His bill establishes reasonable spending limits on all levels of government that will gradually bring Maine's tax burden to the middle of the pack. I believe that the proposed spending caps in this bill could be tighter still, but recognize the need to keep our schools strong and our municipal governments providing all of the vital services they perform. I also recognize that state agencies have been cutting program funds as health care and inflationary pressure eat into their level budgets.

The Governor's bill contains incentives for municipal and school regionalization. This is absolutely necessary in order to realize property tax relief. LD 1 provides an accelerated ramp to bring the state's share of EPS funding to 55%. I hope that municipalities will use this increased funding to offer property tax relief rather than to expand programs.

This bill changes funding for the BETR program from a general fund appropriation to a reduction from general fund revenue in the individual income tax category. I continue to advocate that the tax on business equipment be phased out altogether. Until that happens, the state should not be penalized in assessments of the tax burden by counting a tax relief program as a state expenditure, so I support this provision of LD 1.

The Governor's tax reform bill will not solve all of Maine's tax problems, but it is a very important first step. I support LD 1.

**Maine Equal Justice**

126 Sewall Street
Augusta, Maine 04330-6822

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www.mejp.org

**Testimony of Mary Henderson Neither for Nor Against LD 1,**
**An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.**

Senator Damon, Representative Woodbury, and members of the Joint Select Committee, thank you very much for your upcoming efforts in tackling this difficult issue. My name is Mary Henderson. I am from Maine Equal Justice and I represent the low-income group the Maine Association of Interdependent Neighborhoods (M.A.I.N.). MAIN is a coalition of mostly low-income groups and individuals with over 2000 members statewide. MAIN has been advocating since 1981 to make life better for low-income people in the state and includes members who are homeowners as well as renters.

Over the year,s MAIN members have advocated for better rent and property tax relief through the Circuit Breaker program. MAIN also has strongly advocated for services to meet the basic needs of low-income people, such as access to health care and basic safety net programs such as general assistance, that are essential, quite literally, to their lives. In my testimony today, I ask that property tax relief be targeted more effectively in the circuit breaker program and that this bill be paid for so it does not come at the expense of desperately needed services.

Let me begin with property tax relief. MAIN worked hard to defeat the Palesky tax cap referendum, agreeing all the while as they went door to door that property tax relief must occur, but it must be targeted relief. We appreciate the efforts in LD 1 to expand the circuit breaker program, but have four suggestions for improvement.

1. Don't wait until 2007 to lift the $1,000 cap on the reimbursement,
2. For lower-income households, give relief for all taxes above 4% of household income,
3. Don't expect households to take out loans to pay their taxes, and
4. Do more for renters.

**Improving the Circuit Breaker Formula.**

**Example:** Let me illustrate the property tax formula with a sample low income household of 2 – perhaps a retired couple – with $12,000 of income and property taxes of $2500 per year.

***Under the present formula*** they would:

- receive $1,000 (the cap)

- pay net taxes of $1,500 – or an impossible 12% of their income.

This household cannot wait until 2007 for tax relief.

***If the cap were lifted or raised,*** the family would

- Receive $1,780
- Pay net taxes of $720 – or 6% of their income – or a still difficult $60 per month of their limited income.

***If the formula were simply set at no more than 4% of income*** for these low income households, this family would

- Receive $2,020
- pay $480 – or a more manageable $40 per month toward their taxes.

You can see that the 4% limit, at least for those with little or no disposable income, would be much needed relief. It could help prevent people from choosing between paying for heat and paying their taxes.

**Problems with the Loan Program.**

Now let me say a little about the proposal to establish a fund at MSHA from which people could borrow for that amount of taxes that exceed 6% of income. The loan would be repaid with interest upon transfer of the property. Low-income households lucky enough to own their own homes usually have no other significant assets. It is all that they can leave to their children; it is the only thing they can sell to provide some help in retirement; it is all they have. I ask that they not be pushed into a position of borrowing on against it in order to pay these taxes.

When I first heard of this proposal, the first thing that entered my mind as a comparative experience is the estate recovery program in Medicaid. This program collects for Medicaid costs when a person dies. It is every low income elderly person's nightmare. Here was a recent experience for us. We had a long time member of MAIN – Pat, a wonderful Franco-American women originally from the County who worked in many volunteer capacities to improve life for people in the state. She had three grown children and owned nothing but her home. She developed cancer. As she was preparing to die, she called us, concerned that the state would force the sale of her house to recoup her Medicaid costs. We began to try to figure if she could meet some sort of exemption, but to no avail. Soon, her son was calling us when Pat could no longer talk, because this was the thing Pat cared most about resolving before she died. She wanted to leave her home to her kids. She died not knowing whether the state would take it or not. Let's please not – in an effort to save money – create a program that causes similar anguish. People should not have to borrow to meet ongoing necessities like taxes.

**Help for Renters.**

We ask also that the Circuit breaker program be adjusted to provide more help for renters – who also bear, in their rent, some of the costs of property taxes. In the circuit breaker program, relief cannot go to landlords for rental property. The full weight of their taxes are, in all probability,

passed on to their renters. Under the current formula, renters are presumed to be paying 18% of their rent as if they were property taxes. But for a landlord paying $1,500 per year in taxes for a rental unit, his property taxes would make up 20% of the rent if the charge were $600 per month. It is a matter of fairness to improve the program for renters as well as for direct property tax payers.

We all know how housing costs in Maine have increased. It is not uncommon in Maine to see a family with $12,000 of income paying $600 per month in rent. They are paying 60% of their income in rent! Under the current formula this family would receive reimbursement under the program of $576 for the year – a big help, but not enough for a family who is suffering from high housing costs – costs that property taxes are significantly contributing to. We recommend increasing the percentage of rent attributed to renters to at least 20%. This would bring help to this household to $720 for a year – enough for a month's rent, and perhaps some heating oil too.

**Please Pay for this Bill.**

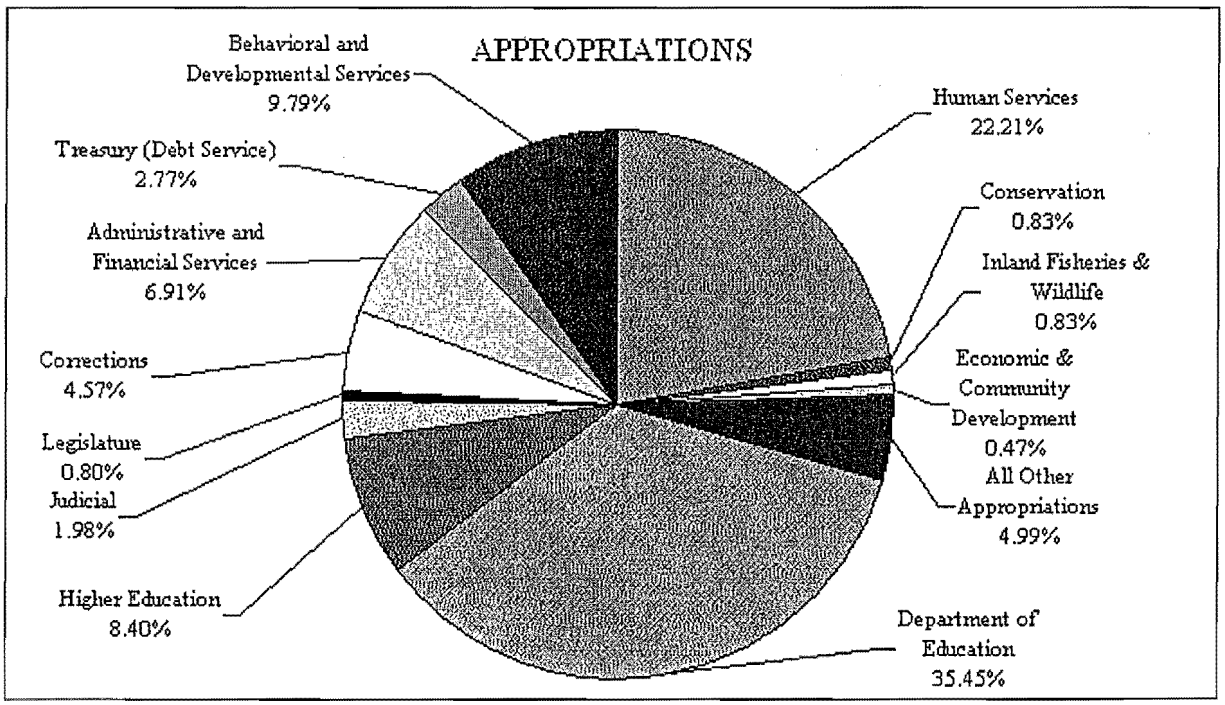
Now that I have made some admittedly expensive suggestions regarding the Circuit Breaker program, let me say that this bill must be paid for with revenue. I am not a tax expert, but I do know that our sales tax base is very narrow compared to other states.

Why is it so important to low-income people that the Bill be paid for as part of the tax reform package? Because of the utter devastation that will be visited upon many people if it is paid for through cuts in services. I have attached to my testimony a chart showing where our general fund dollars go. You can see that the Department of Health and Human Services (BDS and DHS combined) make up 32% of the budget. Education, which will be receiving increases, makes up most of the rest. Without education, DHHS makes up 50% of the remaining budget. If this package of more than $250 million is part of our shortfall, there is only one place that people can look for cuts in government that will achieve anything close to the savings that would be needed: Human Services. The bulk of those dollars serve people below the poverty line who are elderly or disabled, people in nursing homes, people with severe mental illness or people with mental retardation. Many of those human service dollars are Medicaid dollars – where you must cut $3 worth of service in order to save $1 in the general fund.

We must come together in the state around this reform package – remembering the needs of all of Maine's people. About 150,000 Maine people fall below the poverty level. Almost a third of the state falls below 200% of the poverty level – considered by many to be less that the income necessary to meet basic needs. We ask that the funding for this effort be provided, rather than leaving it to a budget process where it is likely to come disproportionately from those who can least afford it.

**GENERAL FUND APPROPRIATIONS**
**2004-2005 BIENNIUM**
**(All Amounts in Millions)**
**Updated 10/07/04**

TOTAL APPROPRIATIONS FOR TWO YEARS: $5,352.9




General Fund Appropriations and Budgeted Revenue based on actions through the close of the 2nd Special Session of the 121st Legislature, closing transactions of Fiscal Year 2003-04 and the distribution of Fiscal Tear 2004-05 statewide deappropriations.
Amounts may not add to 100% due to rounding

Chart prepared by Office of Fiscal and Program Review, Maine State Legislature
http://www.state.me.us/legis/ofpr/04gfpie.htm

Attachment to Testimony of Mary Henderson on LD 1
Maine Equal Justice

# CIANBRO

*THE CONSTRUCTORS ▪ FABRICATION & COATING ▪ DEVELOPMENT ▪ DATA SERVICES*

December 14, 2004

Hon. Dennis S. Damon, Senate Chair
Hon. Richard G. Woodbury, House Chair
Respective Members of the Joint Select
Committee on Property Tax Reform
Maine State Legislature

RE: L.D. 1 – An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.

Dear Senator Damon, Representative Woodbury and Respective Members of the Joint Select Committee on Property Tax Reform:

My name is Pete Vigue and I am the President & CEO of The Cianbro Corporation, a General Contractor headquartered in Pittsfield, Maine. Cianbro Corporation is 100% employee owned, providing employment for over 2,000 team members, 1,400 of which are full time Maine residents.

First, I would like to commend the legislature for convening this committee to openly discuss property tax reduction and the reduction of government spending at all levels. It has become obvious how important these issues are to Maine's ability to compete in the ever-changing marketplace. I believe the efforts of this committee, if done in a bi-partisan manner, should undoubtedly relay a message to the citizens of Maine that their government is indeed working on their behalf and in their best interest. I applaud you all in advance for putting party differences aside for the betterment of our great state.

As you gather and analyze the information necessary to move forward with meaningful reform in these areas, we urge you to seek input from the business community and the respective associations working on its behalf. Like anything of this magnitude, it will take all interested parties working closely together to provide the best results for the state. As it should be, in the eyes of the taxpayer, the merits of this process will ultimately rest on accountability, whereas the public at large will expect everyone involved to take ownership of the outcome.

I believe the Governor's plan contains promising elements and if it is allowed to travel through a collaborative process it can be the foundation of the kind of tax and spending reform that is so desperately needed for the state's economy to grow and prosper. We all recognize that these are very complex issues that will require a serious commitment from each of you, your legislative colleagues and the Governor. At Cianbro, we recognize the value of teamwork and our motto is "No one is smarter than all of us." The same holds true for this process, and we encourage you to work together to build a strong Maine economy.

Very truly yours,

CIANBRO CORPORATION

Peter G. Vigue

Peter G. Vigue
President & CEO

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nea

MAINE EDUCATION ASSOCIATION

MEA

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**Mark L. Gray, Ext. 303** *Executive Director*

**Robert W. Walker, Ext. 320** *President*
**Christopher J. Galgay** *Vice President*
**Lois Kilby-Chesley** *Treasurer*
**Terry J. Given** *NEA Director*
**Crystal D. Ward** *NEA Director*

**Senator Damon, Representative Woodbury, and members of the Joint Select Committee on Tax Reform:**

I am Rob Walker, President of the Maine Education Association. The MEA represents more than 25,000 members. I am here to give testimony against the LD 1, An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.

The bill, as proposed, skirts the issues it purportedly tries to address, it flies in the face of the of the voters, and it undermines the public's confidence in good government.

This bill purports to fund education and provide property tax relief. I have heard the word "bold" attached to this legislation. How bold is a bill that takes a mandate from the voters and then sets up a four year implementation plan. If implemented in one year, June's Question 1 could provide an average savings to municipalities of 15% while finally providing majority funding of education at the state level. This bill fails to address tax reform and simply focuses on reducing taxes.

In November 2003, the majority of Legislators and the Governor put the competing 1B proposal together and actively supported it to avoid making good on their long-standing promise to 55% of the cost of our public schools. It had a five year phase-in. It did not survive the November election. In the spring of 2004, the legislature passed LD 1924 with its phase-in of majority education funding. And the Governor said that because of this new law, there was no need to vote for Question 1 on the June ballot. The voters spoke again by passing June's Question 1. Because of the defeat of Question 1B and the voter's passage of Question 1 in June over the Governor's admonition, the MEA feels there is an implementation mandate of the people that is not served by this bill.

The spending caps proposed for school districts are also not acceptable. Neither legislators nor the Governor can say they value public education and then not provide a mechanism to adequately fund public education. This proposed cap does not consider that Maine's average beginning teacher salary has fallen to 48th in the country. This cap does not consider the workload burden on educators as they struggle to develop and administer assessments to comply with your mandated Learning Results and the Federal No Child Left Behind Act. The Maine Department of Education states that the guiding premise for the Essential Programs and Services model is to ensure that all schools have the programs and services that are essential if all students are to have equitable educational

opportunities to achieve Maine's Learning Results. This cap says that no matter how far you've fallen behind in funding education due to inflation, the state will not step up to the plate. Your Community can never offer the same education as the wealthy community down the road. And for some small communities in geographically remote areas this bill says that you will never have a chance at attracting the chemistry teacher who can get employed anywhere with her skills.

Oddities of this piece of legislation include the effective dates of implementation. If passed, local schools and municipalities would be subject to the cap almost immediately. It is ironic that the state gives itself four years to meet its obligation for funding. And in the meantime schools would be limited as to how much they can increase their budgets to meet their funding obligations under the state mandated Essential Programs and Services.

The spending cap override provisions are decidedly lopsided. A municipal authority may send a question out to the people. A school committee is elected to assure that students receive a sound education. A municipal official is not. But it is the municipal authority that determines if the override gets put out to the voters. It is my fear that school needs will never be met if the determining body is not charged with providing an appropriate education. We may see a warrant for a fire truck but never one for a school bus.

Assuming a request can get to referendum, the next oddity surfaces when you compare how the warrants for a spending override differ between the municipality and the school department. A municipality must word the question thusly. "Do you favor raising the levy limit of _____ for the purpose of ____?" The school district must put the following question forward. "Do you favor adopting a budget that exceeds those costs considered reasonably necessary according to the essential programs and services funding model by (recommended amount) for the purpose of (___)?" Who will vote in favor of a question worded this way – even if the override is for a very important reason. We all complained about the wording of the Palesky question because the argument was in the question.

For MEA, this bill ignores the will of the people. Last February we polled a statistically significant sample of Maine voters. They were asked who they trust on the issue of getting advice on Question 1A. Only ten percent said they would trust the advice of Democratic state legislators a great deal. Look what has happened since. Do you think the Taxpayer Action Network would settle for your reworking the tax cap if it had passed? The 55% funding of education will not be dropping off the radar screen of our 25,000 members and others who voted for it. The issue of public confidence in our state government should not be ignored.

This rush to judgment before January 20 is a response to a threat that has not yet materialized. John Carver in his book on policy governance states that the most important question to ask is "Do we have enough evidence to make a decision?" What evidence do we have to support the claim that the state is about to receive more than 50,000 signatures from either the Chamber of Commerce or Mary Adam's TABOR organization?

Overall, this bill fails to recognize public education as an investment in Maine's future and children and instead focuses on education as another spending program to be capped. The Maine Municipal Association and the Maine Education Association have prepared draft legislation that fully implements Question 1. The Maine Education Association encourages you to adopt our proposal.

# Maine Association of Counties

**Established: September 2004**

Comprised of the:
Maine County Commissioners Association
Maine County Treasurers Association
Registers of Deeds Association
Maine Sheriff's Association
Maine Association of Registers of Probate
County Emergency Management Directors Council
Maine Emergency County Communications Association
Maine Association of County Clerks, Administrators, and Managers

Presentation on LD 1 - Governor Baldacci's Tax Reduction Proposal
December 13, 2004 public hearing.

Presented by: Lincoln County Sheriff Todd Brackett.

Senator Damon, Representative Woodbury, and respective committee members my name is Todd Brackett, I am the Sheriff for the County of Lincoln. It is a privilege for me to stand before you today representing the newly formed Maine Association of Counties in what is our inaugural appearance before any legislative body.

The Maine Association of Counties stands to unite Maine's sixteen counties and to promote county government's willingness to work closely with state and municipal government in efforts to resolve such important issues as tax reform, the issue that has caused us all to gather here today. We agree that tax reform is not only needed but is also the catalyst causing all levels of government, in Maine, to take a hard look at the efficiencies and inefficiencies in the way we provide services.

Tax reform without all levels of government modifying the way we deliver services in an attempt to create the most efficient delivery possible, as difficult as that may be, seems to simply shift the financial burden from one level of government to another. That is why the Maine Association of Counties ~~opposes~~ is concerned LD 1 as it is written today. As it is presented LD 1 places an unfair burden on the Counties in many ways. For example, it would cap county jail funding and other services at 2.75% or less each year with little or no exception, while at the same time it seemingly provides several exceptions for the state to fund its prison system and other services at a higher level. It allows for costly and seemingly impractical town by town referendums for counties to waive the cap and leaves the counties with almost no authority to increase non-property tax revenues to offset its effects. Once again leaving the counties with less options than the state. Lastly, we believe that any tax reform legislation must include the laborious and difficult task of evaluating services so that they may be delivered in the most cost efficient way possible.

County government wishes to be part of the solution not part of the problem. We look forward to working closely with the state and local governments to develop reasonable changes to Maine's tax structure.

**Mary Adams**
**Post Office Box 10**
**Garland ME 04939**
**Tel: 924-3835**
Email: mga@tdstelme.net
December 14, 2004

**Testimony LD #1**

Senator Dennis Damon and Representative Richard Woodbury,
Members of the Joint Select Committee on Tax Reform:

My name is Mary Adams. I am a Maine native, born and raised in Dover-Foxcroft. I live in Garland.

I have taken an active interest in tax policy in Maine ever since, as an unpaid volunteer, I led the signature drive which repealed the state property tax in referendum in 1977. I was part of the Freedom Fighter movement, a network of selectmen and citizens who took their name from the Grange Hall in the town of Freedom where they had their first meeting. We had to take matters into our own hands because the Legislature wouldn't listen.

Thirty years later I am leading another signature effort as an unpaid volunteer, called the "Taxpayer Bill of Rights" which is aimed at restraining government spending at all levels to the rate of inflation plus population growth, would require voter approval for tax increases, and return surplus revenues to the taxpayers.

The message 30 years ago was "local control." Today it's local control over spending at all levels because Mainers understand that spending has to be paid for through taxes, and if we can control the spending, we control the taxes.

If you look at the attached graph showing the actual state spending from the General Fund vs a spending limit of 3%, you'll see that, the Legislature can't walk a straight line. This failure to "sober up" has resulted in bad ratings, a weak economy, an out-migration of young people, angry taxpayers.

**Point #1 Any proposal which does not impose strict limits on spending to control the Legislature's habit of taking more and more of our money is an insult to the people of this state, takes away their hope and opportunity, and will only add fuel to the fire of taxpayer unrest.**

*The Governor's bill does not protect us spending binges*. It lets the drunk decide when he's had enough. It allows the state to keep on spending. The Maine Municipal Association has analyzed the bill and says in so many words that the drunk is in charge of the liquor cabinet

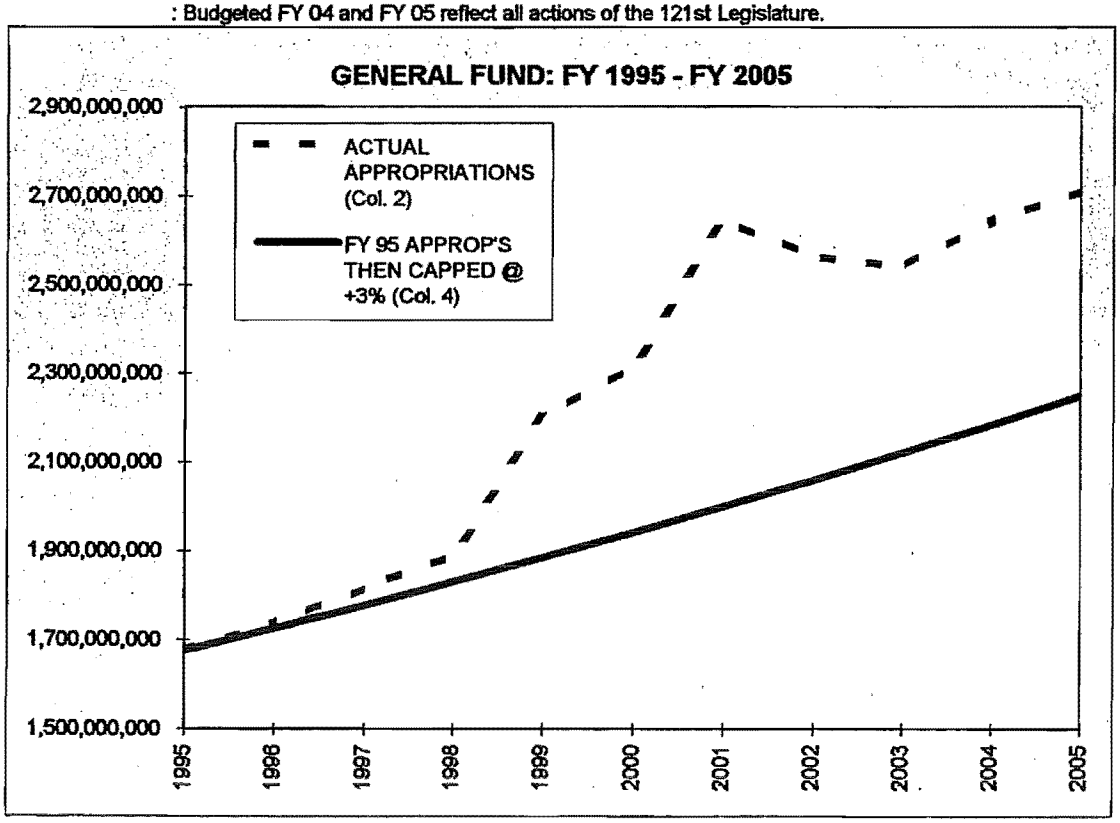
> "The Governor's bill would establish a much less strict limitation system with respect to state appropriations, and *the effective limit would be entirely controlled by the Legislature.* The Governor's proposed limitation on year-to-year appropriations from the General Fund would be the average real annual increase in Total Personal Income, adjusted for projected inflation values (Consumer Price Index). That limitation today would be approximately 4.6%. Further softening the effect, a series of expenditures

12/04 (Updated)

## GENERAL FUND APPROPRIATIONS: FY 1995 - FY 2003 (Actual & Constructed)

| FISCAL YEAR (Col. 1) | ACTUAL APPROPRIATIONS (Col. 2) | % CHG. (Col. 3) | FY 95 APPROP'S THEN CAPPED @ +3% (Col. 4) | % CHG. (Col. 6) | DIFFERENCE (Col. 6 = Col.4 - Col. 2) |
|---|---|---|---|---|---|
| 1995 | 1,673,401,754 | 4.6% | 1,673,401,754 | | 0 |
| 1996 | 1,733,842,806 | 3.6% | 1,723,603,807 | 3.0% | 10,238,999 |
| 1997 | 1,815,498,708 | 4.7% | 1,775,311,921 | 3.0% | 40,186,787 |
| 1998 | 1,888,812,553 | 4.0% | 1,828,571,278 | 3.0% | 60,241,275 |
| 1999 | 2,201,734,442 | 16.6% | 1,883,428,417 | 3.0% | 318,306,025 |
| 2000 | 2,316,629,198 | 5.2% | 1,939,931,269 | 3.0% | 376,697,929 |
| 2001 | 2,645,121,992 | 14.2% | 1,998,129,207 | 3.0% | 646,992,785 |
| 2002 | 2,565,345,849 | -3.0% | 2,058,073,084 | 3.0% | 507,272,765 |
| 2003 | 2,540,382,576 | -1.0% | 2,119,815,276 | 3.0% | 420,567,300 |
| 2004 | 2,642,999,485 | 4.0% | 2,183,409,734 | 3.0% | 459,589,751 |
| 2005 | 2,709,902,078 | 2.5% | 2,248,912,026 | 3.0% | 460,990,052 |
| 10 yr. Increment | 1,036,500,324 | 61.9% | 575,510,272 | 34.4% | 3,301,083,667 |

*NOTES* : State of Maine Annual Financial Reports/OFPR Compendia of Fiscal Information & Appropriations Summaries
: Budgeted FY 04 and FY 05 reflect all actions of the 121st Legislature.



# MAINE SCHOOL MANAGEMENT ASSOCIATION

49 Community Drive, Augusta, Maine 04330
Telephone: (207) 622-3473 Fax: (207) 626-2968
Website: www.msmaweb.com


**TESTIMONY**

**L.D. #1**

**"AN ACT TO INCREASE THE STATE SHARE OF EDUCATION COSTS, REDUCE PROPERTY TAXES AND REDUCE GOVERNMENT SPENDING AT ALL LEVELS"**

**December 14, 2004**

SENATOR DAMON, REPRESENTATIVE WOODBURY, AND MEMBERS OF THE JOINT SELECT COMMITTEE ON PROPERTY TAX REFORM, THIS TESTIMONY IS PRESENTED ON BEHALF OF THE MAINE SCHOOL BOARDS ASSOCIATION AND THE MAINE SCHOOL SUPERINTENDENTS ASSOCIATION.

WE HAVE EXAMINED THIS L.D. AND HAVE RAISED A NUMBER OF QUESTIONS, ISSUES, AND CONCERNS RELATIVE TO SPECIFIC ITEMS WITHIN THIS PROPOSED LEGISLATION.

WE ALSO NEED TO POINT OUT THAT OUR EXAMINATION OF L.D. #1 WAS GREATLY IMPACTED BY NOT HAVING THE INFORMATION AVAILABLE FROM THE COMMISSIONER'S RECOMMENDED FUNDING LEVEL AND BECAUSE THE EPS FUNDING MODEL IS NOT YET FINISHED. WE FEEL THAT INFORMATION FROM PRINTOUTS BASED ON THE COMMISSIONER'S RECOMMENDATIONS WILL HELP US IN BETTER UNDERSTANDING THE IMPACT OF L.D. #1 ON LOCAL SCHOOL UNITS. WE BELIEVE IT IS CRITICAL THAT SUCH PRINTOUTS BE PRODUCED AS SOON AS POSSIBLE.

OUR ASSOCIATIONS HAVE LONG SUPPORTED PROPERTY TAX RELIEF. WE HAVE WORKED WITH THE MAINE DEPARTMENT OF EDUCATION IN THE DEVELOPMENT OF THE EPS MODEL AND SUPPORTED ITS ORIGINAL INTENT TO PROVIDE EQUITABLE AND ADEQUATE FUNDING TO SUPPORT ALL MAINE CHILDREN IN ACHIEVING MAINE'S SYSTEM OF LEARNING RESULTS. WE HAVE OVER THE LAST SEVERAL MONTHS BECOME INCREASINGLY CONCERNED ABOUT THE USE OF THE EPS MODEL FOR THE PURPOSE OF COST CONTAINMENT AND NOW AS A MAJOR FACTOR IN A SPENDING CAP PROPOSAL. WE ASK THAT YOU PLEASE KEEP IN MIND THAT EPS IS NOT FULLY FINISHED AND REMAINS UNTESTED IN TERMS OF ITS ABILITY TO DELIVER EQUITABLE AND ADEQUATE FUNDING.

WE ARE ALSO CONCERNED THAT THIS BILL GENERATES A BUDGET APPROVAL PROCESS THAT APPEARS TO BE FAR MORE DIFFICULT FOR LOCAL SCHOOL SYSTEMS THAN FOR ITS STATE COUNTIES, CITIES, AND TOWNS. WE ARE PARTICULARLY CONCERNED WITH THE LANGUAGE OF THE WARRANT ARTICLE UNDER SECTION D-55, 3B(1) ON PAGE 50 OF THIS BILL WHICH SEEMS TO BE MORE OF AN EDITORIAL DESIGNED TO PRODUCE NEGATIVE VOTES — "ARTICLE: DO YOU FAVOR ADOPTING A BUDGET THAT EXCEEDS THOSE COSTS CONSIDERED REASONABLY NECESSARY ACCORDING TO

THE ESSENTIAL PROGRAMS AND SERVICES FUNDING MODEL BY (RECOMMEND $ .) FOR THE PURPOSE OF (INSERT PURPOSE)?" — PARTICULARLY WHEN CONTRASTED WITH THE LANGUAGE FOR MUNICIPALITIES CONTAINED IN PART C-1, LINE 9 (PAGE 10) - "DO YOU FAVOR RAISING THE LEVY LIMIT OF THE [NAME OF MUNICIPALITY] FOR THE PURPOSE OF [INSERT PURPOSE]" AND IDENTICAL LANGUAGE IN SECTION E-1, SUBSECTION 6 (PAGE 60) WHICH APPLIES TO COUNTIES.

THERE ALSO APPEARS TO BE A CONFLICT IN METHODOLOGY IN THIS BILL AS TO THE PROCESS USED TO SECURE A REFERENDUM VOTE ON A REQUEST FOR FUNDS ABOVE THE EPS DEFINED ALLOCATION. THE BOARDS IN SAD'S AND CSD'S APPEAR TO HAVE THE RIGHT TO CALL REFERENDUM VOTES TO CONSIDER REQUESTS FOR FUNDING APPROVAL ABOVE THE EPS ALLOCATION. IN MUNICIPAL SCHOOL UNITS, WITH A TOWN OR CITY COUNCIL, ONLY THE COUNCIL HAS THE AUTHORITY TO CALL SUCH A REFERENDUM VOTE. IN TOWNS WHERE THE LEGISLATIVE BODY IS THE TOWN MEETING, IT APPEARS THAT A TOWN MEETING WOULD HAVE TO BE CALLED IN ORDER TO APPROVE HOLDING SUCH A REFERENDUM VOTE.

IN ADDITION TO THE ISSUES MENTIONED ABOVE, WE WOULD ALSO ASK THAT YOU CONSIDER THE FOLLOWING.

SECTION C-1.8. EXTRAORDINARY EVENTS (PAGE 9)

WE ARE CONCERNED THAT MAJOR CHANGES IN ECONOMIC CONDITIONS CANNOT BE CONSIDERED AN "EXTRAORDINARY EVENT." THE CLOSURE OF A MAJOR INDUSTRY IN A COMMUNITY CAN HAVE AS DEVASTATING AN IMPACT AS A NATURAL DISASTER, ETC.

SECTION D-34.1. STATE AND LOCAL PARTNERSHIP (PAGE 18)

SOME OF OUR MEMBERSHIP SUGGESTED THAT A MODEL BE DEVELOPED TO DEMONSTRATE HOW THIS WOULD FUNCTION.

SECTION 34.1.B. STATE AND LOCAL PARTNERSHIP (PAGE 19)

WE FEEL THAT MOVING THE RAMP FROM FIVE YEARS TO FOUR YEARS CREATES A BETTER BEGINNING POINT FOR THESE DISCUSSIONS.

SECTION D-35.7. TRANSITION; ANNUAL TARGETS (PAGE 19)

WE HAVE STRONG CONCERNS ABOUT THE CONTINUED USE OF THE PERCENTAGE REDUCTION METHODOLOGY AS IT APPLIES TO THIS STATE SHARE.

SECTION D-36.2.A. LOCAL COST SHARE EXPECTATION (PAGE 20)

WE REQUEST THAT THE FEBRUARY 1 DATE BE MOVED UP TO EARLY JANUARY IN ORDER TO ALLOW SCHOOL UNITS TO PREPARE FOR EARLY TOWN MEETINGS.

SECTION D-36.3. EXCEEDING MAXIMUM LOCAL COST SHARE EXPECTATIONS (PAGE 21)

WE ARE DEEPLY DISTURBED THAT THESE ADDITIONAL VOTING REQUIREMENTS WILL BE IMPOSED. THIS IS CONTRARY TO LOCAL HOME RULE CHARTERS AND THE AUTHORITY OF THE ALREADY ESTABLISHED LEGISLATIVE BODIES. WE ARE FURTHER CONCERNED ABOUT THE COST ASSOCIATED WITH THESE ADDITIONAL REFERENDUMS.

SECTION D-36.4.A. EXCEEDING THE MAXIMUM STATE AND LOCAL SPENDING TARGET (PAGE 22)

WE ARE CONCERNED THAT THIS CAP ON STATE AND LOCAL SPENDING IS LIMITED TO "25% OF THE DIFFERENCE" WHEN THIS EPS MODEL IS ALREADY A REDUCED AMOUNT (84%) THROUGH 2008-09.

SECTION D-36.4.D. EXCEEDING THE MAXIMUM STATE AND LOCAL SPENDING TARGET (PAGE 22)

"LOCAL ONLY DEBT" SHOULD BE INCLUDED IN LINES 36-38. WE BELIEVE THIS IS AN OVERSIGHT.

SECTION D (LINE 46, PAGE 22)

WE BELIEVE THAT "1305, SUBSECTION 1" IS IN ERROR AND SHOULD BE RESEARCHED.

SECTION D-7.A.D. EPS PER PUPIL RATE (LINE 27, PAGE 26)

WHAT ARE SOME EXAMPLES OF THESE COSTS?

SECTION 22-A. PREDICTED PER-PUPIL TRANSPORTATION COSTS (LINES 1-14, PAGE 29)

WE HAVE MANY QUESTIONS ABOUT THE ADEQUACY OF THE TRANSPORTATION COSTS ALLOCATION AND WOULD REQUEST THAT INDIVIDUAL UNIT CALCULATIONS BE EXAMINED.

SECTION D-25. SCHOOL ADMINISTRATIVE STAFF (LINES 27 - 29, PAGE 29)

SHOULD VOCATIONAL DIRECTORS AND ASSISTANT VOCATIONAL DIRECTORS BE INCLUDED IN THE DEFINITION OF SCHOOL ADMINISTRATIVE STAFF?

SECTION D-39. SUBSECTION 1.B. LIMITED ENGLISH PROFICIENCY STUDENTS (LINES 26 - 28, PAGE 33)

CONSIDER USING A .50 PUPIL WEIGHT.

SECTION D-40. SUBSECTION 1. TEACHING STAFF COSTS (LINE 48, PAGE 33 - LINES 2-8, PAGE 34)

WE STRONGLY RECOMMEND THAT THE REGIONAL ADJUSTMENTS IN THESE TWO SECTIONS BE NO LESS THAN 1.0 UNTIL SUCH TIME AS THE FULL 55% STATE SHARE IS ACHIEVED.

SECTION D-43. 2. SPECIAL EDUCATION COSTS (PAGE 35)

WE ARE CONCERNED ABOUT THE CAP ON THE STUDENT COUNT PERCENTAGE IN LOW-IDENTIFYING UNITS AS THEY MAY EXPERIENCE STUDENT INCREASES OUTSIDE THEIR CONTROL (I.E. - GROUP HOMES).

SECTION D-43.2.C. SPECIAL EDUCATION COSTS (LINES 25 - 28, PAGE 36)

WE RECOMMEND THIS BE CHANGED TO THREE TIMES THE STATEWIDE SPECIAL EDUCATION EPS RATE.

SECTION D-43.3. TRANSPORTATION COSTS (LINE 6, PAGE 37)

WE RECOMMEND THAT THE LANGUAGE BE AMENDED TO PROVIDE FOR "100%" OF THE ESTABLISHED COST, UNTIL SUCH TIME AS THE 55% STATE SHARE IS ACHIEVED.

SECTION D-45.1.F. BASE TOTAL (LINES 16 - 26, PAGE 39)

WE WANT TO BE SURE THAT ALL CRITERIA FOR NECESSARY SMALL PUBLIC SCHOOLS BE THOROUGHLY EXAMINED. ALSO, WE ARE UNCERTAIN HOW EXISTING SMALL PUBLIC SCHOOLS WILL BE IMPACTED BY HAVING PRIVATE SCHOOLS LOCATED NEARBY.

SECTION D-45.2. ADJUSTMENTS (LINES 28 - 44, PAGE 39)

THERE IS A NEED FOR CONTINUED CLARIFICATION CONCERNING THE USE OF ALL FEDERAL FUNDS UNDER THE EPS MODEL. THIS CONTINUES TO BE AN AREA OF CONCERN AND CONFUSION.

SECTION D-54.B.2.A. NOTIFICATION OF ALLOCATION; COMMISSIONER'S DUTY; SUPERINTENDENT'S DUTY (LINE 28, PAGE 43)

WE SUGGEST THAT FEBRUARY 1 BE MOVED TO EARLY JANUARY IN ORDER TO GIVE SCHOOL UNITS ADEQUATE TIME TO PLAN AND NOTIFY MUNICIPAL OFFICIALS.

IN SUMMARY, BOTH ASSOCIATIONS STAND READY TO ASSIST THIS COMMITTEE WITH THEIR WORK IN ANALYZING AND REVISING THIS BILL. WE BELIEVE THAT A BALANCE CAN BE ACHIEVED BETWEEN PROVIDING MEANINGFUL PROPERTY TAX RELIEF AND ADEQUATE AND EQUITABLE STATE AND LOCAL FUNDING FOR PUBLIC EDUCATION. WE URGE YOU TO TAKE THE TIME NECESSARY TO CRAFT THIS LEGISLATION IN ORDER TO ACHIEVE THAT BALANCE.

**NFIB**
The Voice of Small Business®

**MAINE**

December 14, 2004

To: Sen. Dennis Damon & Rep. Richard Woodbury, co-chairs
Members, Select Committee on Property Tax Reform

From: David Clough, State Director

Re: GOVERNOR'S PROPERTY TAX REFORM LEGISLATION – LD 1 & LD 2

I am writing on behalf of NFIB's approximately 5,500 small-business members in Maine to provide you with preliminary views and information regarding Governor Baldacci's proposed property tax reform legislation and one or more amendments that may be suggested relating to other aspects of Maine tax policy.

By way of background NFIB is Maine's largest small-business advocacy organization. Our members are collectively engaged in virtually every economic activity, provide jobs for more than 45,000 workers, and are located in every legislative district. The membership is characterized by size – the typical member has 5 employees and gross sales of about $325,000 – and by being owner-operated businesses. Over 98% of the membership are businesses that employ fewer than 50 people.

Policymaking is done by periodically asking the members where they stand on particular issues. Policy is member driven. NFIB takes positions where there is a clear consensus position of the members. Here is quick snapshot of where NFIB members stand at the moment:

- *Property tax relief* – FAVOR but awaiting details on funding and tax shifting
- *Spending caps at all levels of government* – FAVOR but looking for effective caps and prefer Constitutional caps
- *Essential Programs & Services Model for Education* – NO POSITION
- *Rapid Increase in State Education Funding* – NO POSITION but concerned about potential for tax shifts and tax increases; will seek further input from the membership
- *Homestead & Circuit-Breaker Programs* – NO POSITION but will seek further input from the membership
- *Tax Expenditure Funding of BETR Program* – NO POSITION but will seek further input from the membership

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- *Overall Tax Burden Reduction* – FAVOR but have questions about how it will be accomplished
- *Constitutional Amendment for Homestead Tax Classification* – NO POSITION but will seek input from the membership; opposition likely
- *Sales Tax to Various Expansion to Services* – OPPOSED
- *Local Option Tax for Municipal Project Funding* – OPPOSED

The rapidness with which the Governor's legislation was printed and scheduled for a public hearing did not leave sufficient time for NFIB to survey its members on some key issues contained in the legislation. While the members often voice the same policy positions as those advocated by other business groups, the owner-operated business nature of the NFIB membership can also lead to divergent views on some important issues. Our members have two pockets. Out of one they pay their business expenses, out of the other their personal expenses. Same pants or dress, so reducing taxes in one area and shifting taxes to another area will have a fundamental effect on a small-business owner's ability to live and operate a successful small business in Maine.

We believe that legislators and the governor should be particularly sensitive to the views of Maine small-business owners. Small business success is fundamental to the economy of our state and the economic vitality of all Maine communities, particularly where there has been significant job losses and economic distress. Small employers provide the majority of private sector jobs in Maine and, according to research by the U.S. Small Business Administration, small businesses are the nation's most important source of new jobs, new innovations, and new opportunities for economic growth. (I have been very pleased with bipartisan efforts to promote small business agendas in the 122nd Legislature, including the "grow Maine from within" Small Business Bill of Rights, because research by nationally recognized authority David Birch indicates that most new jobs are created by people and businesses already located in a state.)

We applaud Governor Baldacci and Legislative Leaders for making property tax relief a first priority of the 122nd Legislature. And we applaud the recognition that property tax relief and overall tax relief are tied directly to how we manage programs and costs. *Tax relief without spending reform is like an Asprin without medical intervention; we will get only temporary relief from aches and pains while the underlying problem goes untreated.*

Spending Caps. NFIB members support in principal the idea of placing a sensible cap in state spending growth, although they believe that a Constitutional cap would be more effective than a statutory cap. (We plan to update this responses in a new survey.)

*Do you feel that spending or taxes of state and local governments in Maine should be limited?*

*94% - Yes 3% - No 3% - Undecided*

*Which method of limitation do you feel would be most effective?*
*33% - Constitutional amendment tied to inflation*
*30% - Constitutional amendment tied to income growth*
*23% - Statutory spending limit*
*10% - Homestead exemption on primary residence property*
*3% - Other*

*Would you support the adoption of a statutory limit on state spending if such legislation allowed changing the limit only by a super majority of at least 2/3 of each house?*
*82% - Yes 12% - No 6% - Undecided*

LD 1 proposes a statutory State funding cap in General Fund growth that is tied to the 10-year average growth of real personal income plus the average forecasted inflation rate.

- We would like to see a chart that shows how this proposal would have worked over the past 15 fiscal years in comparison to actual General Fund growth.
- Aside from NFIB members' preference for a Constitutional cap, I anticipate they would prefer a fixed percentage cap instead of a "personal income + inflation" formula.

LD 1 proposes a cap on municipal spending that is tied to property tax revenue growth plus a property growth factor, not to exceed 2.75% in years that Maine's overall tax burden is in the top third of the states.

- We would like to see a chart that shows how this proposal would have worked for representative urban, sub-urban, coastal, and rural municipalities – including those with rapid, moderate, and slow growth – over the past 15 fiscal years in comparison to actual spending growth.
- We would like more information on the relationship between the cost of municipal services, the "property tax revenue growth + property growth factor" formula, and how changes in the population of school-age children interact with the proposed municipal spending cap.

Accelerated Increase in State Education Funding Percentage. NFIB members have no position at the moment on the principle of accelerating the increased state percentage of local education cost funding – with some exceptions noted below.

- NFIB members oppose increases in State taxes to finance increases in funding local education, believing that funding should be financed out of economic growth and efficiencies in spending.

- NFIB members strongly oppose expanding the sales tax to or raising the tax rate to finance a shift away from property taxes at the local level.

*Education funding reform – Should a significant portion of education funding be shifted away from the local property tax and over to state revenues, to be paid for in large part by expanding the sales tax to include a tax on services?*

*24% - Yes 66% - No 9% - Undecided*

*Should more of the funding of education be shifted from local property taxes to the state general fund budget if municipalities were required to reduce property taxes?*

*66% - Yes 20% - No 14% - Undecided*

*Should the Legislature adopt new or increased taxes in order to lower other taxes?*

*2% - Yes 85% - No 13% - Undecided*

*[Does current state tax policy favor small business growth and investment?*

*3% - Yes 83% - No 14% - Undecided]*

Make BETR a Tax Expenditure. LD 1 proposes to take the controversial Business Equipment Tax Reimbursement program out of the line-item State Budget and make it a tax expenditure within the individual income tax revenue category.

- NFIB members do not yet have a position on this proposal; we plan to ask them in a forthcoming survey.
- Most small businesses in Maine do not use the BETR program, yet the income of most small businesses is taxed at the personal income tax level, and we question the logic of making BETR wholly funded by personal income tax collections instead of general tax collections or, for example, a combination of corporate and personal income taxes in proportion to the reimbursements made to different categories of business taxpayers.
- Funding BETR out of the personal income tax revenue category will make Maine's income tax burden appear to be less than it actually is and may make it more difficult for small business to obtain tax conformity and other changes in the high rate of tax imposed on the business income of many small-business owners.
- Maine's high individual income tax rates – among the highest in the nation – are a major factor in the ability of small business owners to retain income and invest in survival and growth.

Overall Tax Burden Reduction. LD 1 proposes a *goal* of reducing Maine's overall tax burden to the middle third of the states. This would be accomplished over a 10-year period. The State Tax Assessor would be charged with using U.S. Census Bureau data on the 50 states as a starting point and recomputing Maine's tax burden vis-à-vis the other 49 states "to reflect the State's [Maine's] unique expenditure tax relief programs."

- NFIB members are generally supportive of reducing Maine's overall tax burden, but it is now clear how effectively that would be accomplished under the Governor's proposal.
- Recomputing Maine's tax burden to reflect our tax relief programs, however justified, would produce a false result if similar recomputations were not performed for each and every other state – at least those that rank in the top 50th percentile for high tax burden. The analogy would be to perform an operation on one side of an algebraic equation but not the other; you will get an answer, but it will not be correct. Both sides of the equation must be manipulated in similar fashion in order to obtain a valid result.
- Reducing Maine's overall tax burden to the middle third of the states is considerably less ambitious, and less satisfying, than reducing it to the middle one-fifth or the average of all states. I anticipate NFIB members will agree that rather than seek to stand out not quite so vividly in our tax burden, we ought to not stand out at all on the high on this measure of costliness.

LD 2 – Separate Tax Classification for Residential Homestead Land. Governor Baldacci is proposing a Constitutional amendment that would permit municipalities the option of taxing land used for a homestead at a lower rate than all other taxable property (buildings, equipment, commercial land, and land not used for a residence). The municipality would increase the tax rate on the other taxable properties to compensate for the lower rates on land used for a homestead. This would result in property tax shifting.

- NFIB members have not yet been surveyed on this issue; however, I anticipate they may be largely skeptical of this proposal.

Other Issues.

*Local Option Tax for Certain Municipal Projects.* NFIB members have consistently and strongly opposed local option taxes regardless of the purpose, and I expect NFIB members to continue their opposition.

*Sales Tax on Services to Finance Property Tax Relief.* As noted above, NFIB members oppose expanding the sales tax to services in order to increase state funding of local education and finance property tax relief.

*Stronger Economy.* Aside for all else, perhaps the most significant matter affecting Maine tax revenues is the state's weak economic performance, as measured in per capita personal income and Gross State Product per capita. We believe that a stronger economy is fundamental to reducing Maine's overall tax burden. And we believe that more emphasis on helping small-business owners survive and thrive in today's economy is critical to the State's overall economic success.

*Analysis of Legislation & Fast Track Timetable.* Tax legislation can have a significant effect on people and businesses in Maine. To date we have seen no analysis and very little published quantitative information that explains and supports the Governor's legislation. We believe the absence of such key information will make it very difficult for members of the small business community to evaluate the legislation and members of the Legislature to make informed decisions. NFIB is joining with other business groups in an effort to obtain an independent analysis of the tax incidence and economic effects of the Governor's legislation and other major proposals. We want to minimize the Law of Good Intentions that becomes the Law of Unanticipated Consequences upon implementation, especially given tax and fiscal issues as significant as those being proposed by the Governor and other interested parties. Meanwhile, the fast track schedule the Committee has been directed to follow may be too ambitious, and we hope this haste doesn't result in unpleasant future surprises that could have been foreseen and avoided, as often happens with major legislation that is quickly considered.

On behalf of 5,500 mainstream small-business owners in Maine, thank you for considering the views of NFIB members. I plan to attend the work sessions and stand ready to help the Select Committee on Property Tax Reform make policy decisions that are good for Maine people and good for Maine small-business owners. Please let me know if you have any questions that I can be helpful in answering.

**Testimony of Maria Fuentes**
**Maine Better Transportation Association**
**Joint Select Committee on Property Tax Reform**
***LD 1 - An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at all Levels***
**December 14, 2004**

Senator Damon, Representative Woodbury and members of the Committee on Property Tax Reform. My name is Maria Fuentes and I am testifying on behalf of the Maine Better Transportation Association, neither for nor against LD 1.

To begin, let me say that we applaud the Governor for his leadership on this tough issue, and commend both the Legislature and the Governor for their determination to face property tax reform head-on in a meaningful way so early in the session.

We consider the Governor's plan to be positive, ambitious and far-reaching. We appreciate and agree with the Governor's goal of reducing our state tax burden as a means of moving Maine's economy in a positive direction.

Our position is that we endorse the Maine Chamber's proposal, in part because we have had more time to review and study the Maine Plan. Since the Governor's plan is more recent, we haven't had the time to get the board together to review and analyze it.

Our Board is enthusiastic about the Maine Plan because it reduces property taxes by utilizing spending caps. We see much strength in the Governor's plan as well. One is that we support the phase-in of the school funding law (as opposed to funding it all in the first year); we also appreciate the Governor's determination to get Maine in the middle of the pack compared with other states relative to tax burden; and we applaud the Governor for his courage in advocating against increasing another tax in order to reduce the property tax.

We may have a slightly different perspective from other business groups in that we are more focused on the Highway Fund than we are on the General Fund, and the Maine Plan differentiates between the General Fund and the Highway Fund – another selling point for us. Our members include companies, organizations and individuals who build, maintain and use our transportation system. Members include contractors, public works directors, port, rail and aviation companies, and others interested in the long-term health of the state's transportation infrastructure. Clearly, they are interested in the economic vitality that a healthier economy would bring, and they are particularly interested in maintaining and upgrading the state's transportation infrastructure, which is key to economic prosperity.

Although many of our members depend - to varying degrees - on state contracts, we are not concerned that spending caps will be bad for their business because the Highway Fund is already living under forced spending caps. Fully 2/3 of Highway Fund revenues come from fuel tax receipts, which means the Highway Fund has a built-in spending cap, since the Highway Fund hasn't experienced the growth that the General Fund has.

Many still may not acknowledge the fundamental differences between the Highway and General Funds. While the sales tax and other state revenues going into the Highway Fund routinely generate increases that exceed CPI, in order for the fuel tax to get adjusted up to the CPI, a vote of the Legislature is required every two years. So the revenues that make up the General Fund have increases exceeding CPI with no comparable legislative participation.

To understand that fuel taxes haven't kept up with inflation, consider this: in 1927 we had a 4¢ motor fuel tax, which in today's terms is equivalent to a tax rate of 42¢ per gallon. From 1927 through 1971, when the actual rate became 9¢ per gallon, the inflation adjusted value of the motor fuel tax in today's dollars remained at or exceeded 40¢ per gallon and reached an inflation adjusted high of 49¢ per gallon in 1947. For the last twenty years, adjusting for today's dollars, the motor fuel tax has remained in a range between 24¢ and 27¢ per gallon.

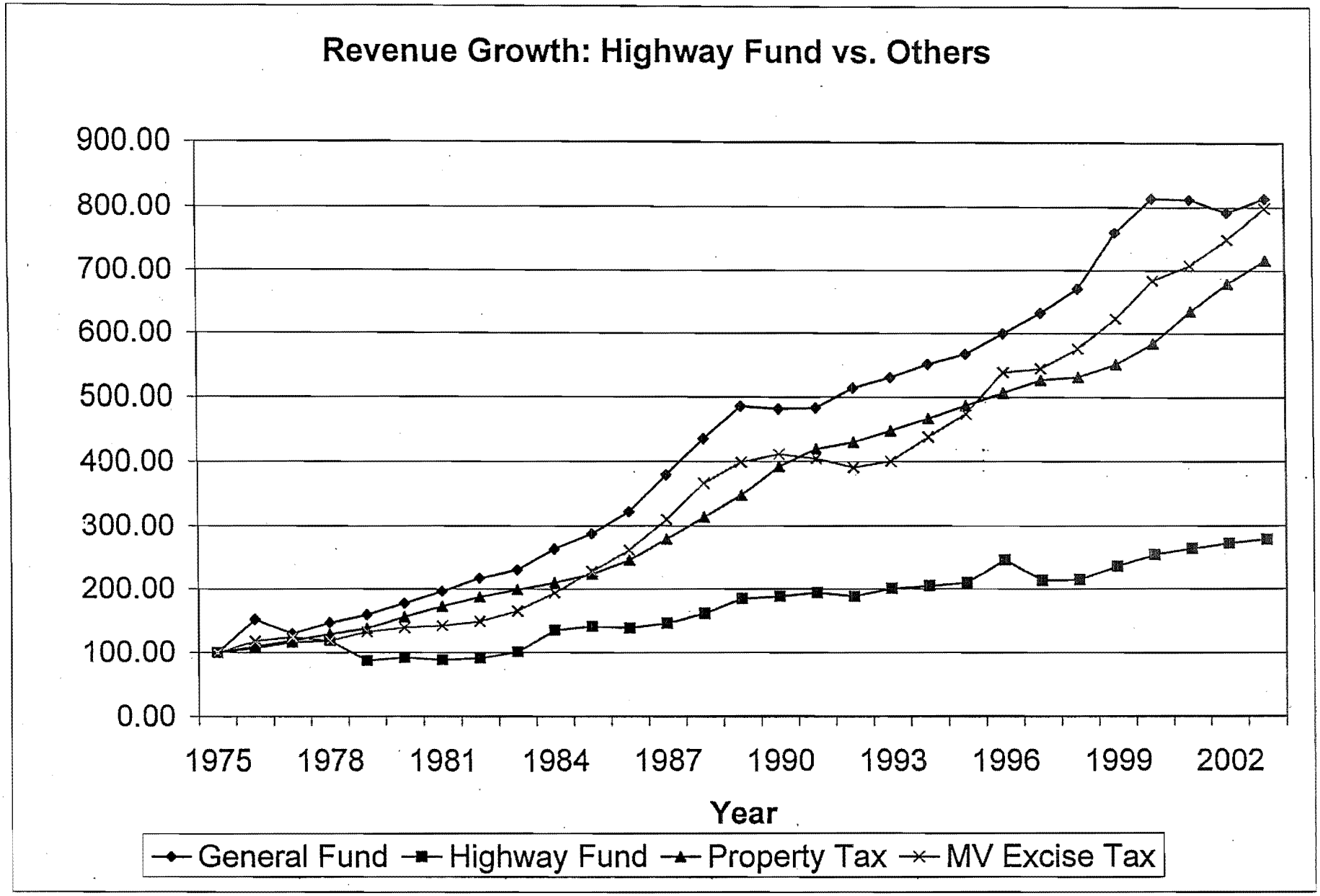
If you look at the first graph that is attached to our testimony, you will see a stark difference in revenue growth among various funds or revenue sources. The Highway Fund is at the bottom of the pack, whereas General Fund receipts, as well as property taxes and the motor vehicle excise tax, have all shown considerable growth in the last 25 years.

The second graph shows Highway Fund receipts as a percentage of state revenues over the past 25+ years. In 1975, fully 26% of all state revenues went to transportation spending. Today, that percentage is only 11%. This is a natural consequence of two things: first, the motor fuel tax has not kept up with inflation and secondly, the income and sales taxes have been meeting or exceeding inflation. Interestingly, a national expert who recently came to Maine to discuss transportation issues said that in other states, the trend has been to spend more of their state revenues – not less – on transportation infrastructure.

Clearly, the major contributing factor to the "natural" spending caps imposed on the Highway Fund is the result of the increasing fuel efficiencies of automobiles. To illustrate this, I want to share that the MaineDOT has a chart which compares fuel consumption and vehicle miles of travel (VMT) between 1985 and 1995. During this time period, travel grew by roughly 38% while fuel consumption grew by only 19%. Advancements in fuel efficiency essentially negated the increase in motor fuel tax revenues that would have resulted from such a sizable increase in VMT. So not only was the inflation adjusted value of the motor fuel tax declining, a compounding effect occurred that allowed increased use without commensurate increases in revenue due to rising miles per gallon efficiency gains for vehicles.

One question we will be asking the Administration as we continue to work with them toward the common goal of tax relief for Maine citizens and businesses is this: how are these initiatives that will result in lower property taxes going to be paid for? Since the budget hasn't been presented, we don't know if transfers from the Highway Fund are going to be used to help shore up the General Fund. If this is the case, it would be detrimental to our members and would clearly be a problem for us.

We thank members of this committee for your commitment and dedication to moving Maine forward by tackling the issue of property tax reform. Thank you for your time.


Revenue Growth: Highway Fund vs. Others
900.00
800.00
700.00
600.00
500.00
400.00
300.00
200.00
100.00
0.00
1975
1978
1981
1984
1987
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1996
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2002
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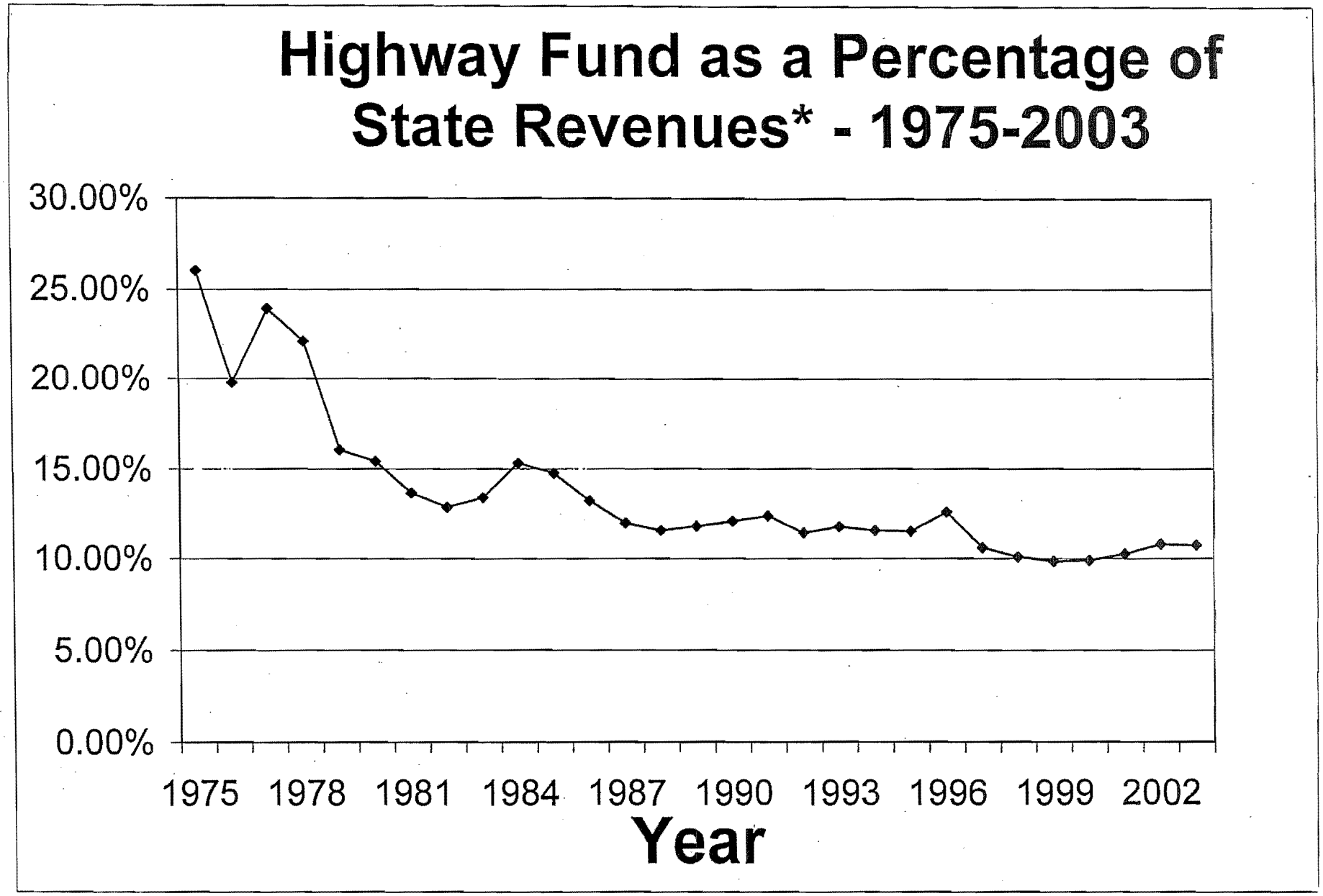
General Fund
Highway Fund
Property Tax
MV Excise Tax


Highway Fund as a Percentage of State Revenues* - 1975-2003
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
1975
1978
1981
1984
1987
1990
1993
1996
1999
2002
Year

Testimony of Larry Mead
City of Portland

on LD 1, An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at all Levels

to the Joint Select Committee on Tax Reform
December 14, 2004

Senator Damon, Representative Woodbury, members of the Committee, my name is Larry Mead. I am the Assistant City Manager for the City of Portland. I am here to speak in regard to LD 1, An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at all Levels.

This past fall the Portland City Council on two occasions, without a dissenting vote, passed resolutions establishing its support for policies that would provide meaningful, immediate property tax relief for Portland residents and tax payers. We understand that people want measured growth in their tax bill from the City. We think that our residents deserve to have assurances that future growth in their property taxes will be reasonable and restrained. To that end we are willing to do something affirmative about it. First, the Council resolved to return to tax payers 100% of any net new state funding for education resulting from the implementation of Question 1A. Second, the Council endorsed the Maine Plan developed initially by the

Maine State Chamber as an effective means to achieve property tax relief. Taken together these two initiatives demonstrate that the City of Portland "gets it". Neither position is without some measure of political pain since both would impose restraints on growth in spending AND taxes.

The Governor's plan speaks in many aspects to both of these positions and there is much about his approach that we like and can support.

- We support implementing Question 1A by ramping up to 55% funding; although getting there a little sooner would be a lot better.
- We support placing restraints on the growth in tax commitment at the local level because we believe that a majority of Portlanders want reasonable limits.
- We support an expansion of the circuit breaker program because we think that it should apply to middle income Portland residents and that the dollar amount of relief needs to be larger.
- We strongly support the proposition that Portland taxpayers shouldn't pay more than 6% of their income towards property taxes.
- We support targeting tax relief to those who least can afford to pay.

Our support for LD 1 is tempered by unfamiliarity with its intricacies and the need for more information on precisely how it will affect the City of Portland. In particular the linkage between essential programs and services

implementation and the limits on growth in education spending leave us with unanswered questions and lingering concerns that the application of growth restraints will apply unevenly at the local level. It would simply be unacceptable to the City of Portland for the three levels of local government here in Maine to be disproportionately constrained going forward. The administration has assured us that this will not be the case. We hope that is the case. Unfortunately it is extremely difficult to determine how the proposed law will affect funding next year and in the years ahead in Portland. We will need clarification on this portion of the legislation.

As the law is written it appears that the City of Portland's school budget would require approval at referendum every year going forward. This would be so because Portland's existing school budget exceeds the recommended level for essential programs and services established by the Department of Education. This requirement is in place whether a department is 1% over EPS levels or 50% over. We strongly disagree with this and believe it to be unreasonable. While we support restraints on growth going forward we do not believe that local districts should be punished now for failure to adhere to new standards only just established. Rather we believe that the base amount for recommended funding levels should be that amount in place for the fiscal year prior to implementation of new rules.

We are also concerned that the proposed legislation may inadvertently penalize communities that promote economic development through local policies and practices. With respect to the use of tax increment financing for example I would urge that you insure that newly created valuations given a TIF by a municipality be included as part of the local growth factor established in LD 1. Don't forget that the development supported by a TIF will still be creating jobs and economic activity beneficial to the region as a whole. Communities should be rewarded for such initiatives, not harmed.

A second example related to economic development promotion is increased value that is an outgrowth of intentional municipal policies and investments. Such value should also be credited to the proposed growth factor. Take as one example the City of Portland's efforts in the Bayside neighborhood. The City has invested in housing, sidewalks, streets and other infrastructure here. Environmental damage is being mitigated as a result of grants secured by the City through the Brownsfields programs. Zoning modifications will stimulate investment. The City is actively moving to relocate two scrap yards that have long inhibited high-end investment near by. The City believes strongly that all value legitimately related to these types of specific development promotion policies should be included in the calculation of the annual growth allowance. Many other communities have

similar initiatives that benefit the state and region. I urge you to modify this proposal to reward and encourage such development initiatives.

In closing I would support the testimony of the Service Center Coalition in urging the legislature to enact tax relief and reform this session that begins to whittle away at the 5 mil structural tax levy gap that penalizes service center residents through higher taxes and greater burdens relative to their neighbors in non service center communities. In addition I urge your thoughtful and bold attention to this vexing concern. It is an important step towards promoting increased investment and economic activity throughout the state.

## StPierre, Judy

**From:** Debkeen2@cs.com

**Sent:** Sunday, December 12, 2004 4:01 PM

**To:** RepHaroldClough (EXTERNAL); Benfdudley@hotmail.com; StPierre, Judy; lerman2@msn.com; pmills@mainelegal.net; Perry, RepJoe; eddiedugay@midmaine.com; tumblingrun@qwi.net; RepRobertWoodbury (external); SenDennis Damon

**Subject:** (no subject)

Dear Judy, could you please copy and submit to the whole committee I was unable to find all their e-mail addresses Thanks.

Dear Leaders,

I will be unable to attend the hearing on Tuesday and would like to submit these public comments.

Below is the Maine Eductors Association (MEA) response to the Governor's proposal. The MEA represents 37,000 member in Maine. I support their position.

In order to find a solution one needs to define the problem correctly.Defining the problem incorrectly and choosing the wrong solution will have unintended consequences. The problem we are all seeking to solve is our Tax problem. Taxes are too high and are out of balance. A disproportionate share of taxes fall on the property tax. That impact has been felt in recent years because the state has reduced their share of committment to education, shifting that burden to municipalities and their taxpayers, overburdening both.

Many have worked very hard.at defining the problem and addressing it.There has NOT been an absence of good thinking or solutions.There has been an absence of political will to unify around one of the good solutions. Palesky while it offered the "right " solution ( reducing property tax burden) ;it didn't define the problem or source of the problem correctly and therefore was the wrong solution. It's promoters said it was a spending problem. It was not.

The Governor and the Chamber's solution does the same ...It doesn't define the problem correctly. It addresses the wrong problem. It offers solutions to a problem that doesn't need solving. It incorrectly assumes it's a "spending" problem. One look at the budget, over time, shows you have been responsible with our money.You have seldom acted as if it was Christmas in July( on a few occaissions you have).It's the wrong solution because, like Palesky, it addresses the wrong problem.

Tax reduction and Tax Reform are two different things. We need permanent solutions for BOTH. Property taxes is a good place to start but neither sales nor income taxes can be ignored as part of the problem and solution. The governor's steadfast committment to not expand the sales tax base or sales tax rate, serves noone. It eliminates one of the possible and likely needed solutions.Our taxes are out of balance with too little from sales tax and too much from property tax.

While I appreciate the Governor's committment to find a solution, the Governor's Chamber of Commerce proposal does NOT keep the promise to the voters, and doesn't meet the intent of the voters. Locking you in the room to adopt the wrong solution is almost as bad as having no solution at all. The Governor's proposal is almost exactly the same solution that you swiftly and soundly rejected last session and voters rejected twice at the polls as the alternative to MMA , presented as solution 1-B

Voters have twice now supported the MMA solution( and rejected the Governor's alternative), which DOES address the root cause of at the problem.--the state abdicating, over time, their responsibilty to education and shifting that unfunded burden onto municipalities and the property tax.

The Governor's proposal does NOT properly Thank those who helped to defeat Palesky( MMA,and MEA who contributed $350,000 to defeat Palesky), for their effort. It doesn't come close to acknowledging that state policy regarding school funding is the cause of the property tax burden. It defines the problem and the cause of the problem incorrectly. It continues a promise of a committment to education without actually having to do it.

It "finds" money that educators and the public were told isn't available for education and gives it to business interests instead.

It preserves and institutionalizes BETR( Busineess Equipment Tax Reimbusement), a failed program that should instead be eliminated. BETR has not kept it's promise as a jobs creation program for Maine workers. Research shows the goal of it's reason for being has NOT been met. It's a costly program, who's cost has only grown over time, without any bang for the buck.It has resulted in NO net increase in jobs nor better paying jobs. It has no accountability. Less than .05% of Maine Businesses benefit from it.That's 1/2 of 1 percent!! The rest of Maine

Businesses get nothing. abetter solutionwould be to eliminate BETR and use some of that money to help small Business who ARE the generator of jobs for Maine people.

Better solutions are on the floor : MMA--- supported by the majoprity of voters twice!! Homestead Plus , and Woodbury's 4% of income for propery taxes.

And Now this from the MEA:

Maine Education Association's
Response to the Governor's Press Conference on Tax Reform

TALKING POINTS

The Maine Education Association appreciates Governor Baldacci's attempt to step up to the complex and difficult task of addressing tax reform in Maine.

We believe that this initial proposal falls short of what Maine's voters said they wanted last June when they passed a statewide referendum calling on the State Legislature to finally live up to its 20 year promise to fund 55% of the cost of our public schools and to provide homeowners and communities with relief from their property tax burden.

Spreading the implementation of this proposal out over four years does not address the immediacy of school funding needs or the tax relief voters called for in last June's referendum.

MEA and the MMA are continuing to work together to develop legislation that will fully implement the June referendum as passed by the voters in Maine.

We look forward to working with the Governor and the members of the Joint Select Committee to fully implement what the voters approved as a significant step forward in relieving the tax burden on Maine citizens.

In addition to the "Talking Points" that were developed for distribution to the press at the Governor's press conference, we have developed these fundamental points to guide our opposition:

<u>The MEA is opposed to the Governor's proposal as written for three fundamental reasons:</u>

- **It fails to implement the voters' mandate to fund 55% of the cost of public education in Maine as outlined in the June, 2004 referendum.**

- **It fails to address fundamental statewide tax reform and instead focuses only on reducing taxes.**

- **It fails to recognize public education as an investment and instead focuses on public education as another spending program that must be capped**

Maine Health Care ASSOCIATION

CELEBRATING 50 YEARS 1954-2004

**Testimony of Richard A. Erb, President and CEO**
**Maine Health Care Association**

**To the Joint Select Committee on Property Tax Reform**
***Tuesday, December 14, 2004***

**In Support of LD 1: An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels**

Good afternoon, Senator Damon, Representative Woodbury and members of the committee. My name is Richard Erb and I am the President and CEO of the Maine Health Care Association. Our organization represents over 250 long term care providers who offer services to thousands of MaineCare recipients. Our membership primarily includes nursing homes and assisted living facilities.

I testify today in support of Governor Baldacci's tax reform plan as outlined in LD 1 and sponsored by Speaker of the House John Richardson. I applaud the Governor for a well thought out and realistic approach to property tax reform. Prior to my current position with Maine Health Care, I was a town manager and tax collector for three Maine communities (Gouldsboro, Winterport, and Kennebunk) for a total of 19 years. As such, I well understand the Governor's challenge and the financial pressures placed on our local governments and our schools.

Over the past several months, as I listened to various tax reform appeals, I became very concerned about those calls for more extreme forms of relief, given our state's



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precarious budget situation. I believe the Governor has appropriately proposed a ramping up to cover 55% of the cost of providing public education. My experience tells me that this is the only reasonable approach to solving a perennial problem.

I also support the concept of the tax deferred loan program, as it provides additional options for taxpayers based on current financial situations. I think that linking property tax relief to a percentage of personal income is also fair and reasonable policy, as I believe it will help those Maine citizens who need it most.

My town management tenure aside however, I stand before you today representing another group of Maine citizens who rely on the state for their care and support– our elderly and disabled residents living in nursing homes and assisted living facilities. While I can appreciate the need to control state spending as part of an overall reform plan, it cannot come at the expense of our aging and disabled population.

Over 70% of our long term care residents depend on the MaineCare program. The fact is that long term care has been cost controlled through the imposition of artificial MaineCare rate caps that threaten the very quality of care and service we have come to expect of our providers. While all other areas of the budget have grown over each biennium, MaineCare has under-funded the long term care provider community for 10 years. During this time, long term care spending has increased at half of the rate of overall state spending. Further depletion of MaineCare funds, at a time when the elderly and disabled population continues to grow in sheer number and acuity, will only further compromise our fragile long term care system. We believe the State has a basic

responsibility to live up to its commitment to the elderly, disabled and those who take care of them.

I understand that there is some support for placing spending caps in the Maine Constitution. I would again point to the projected increase in our elderly population as a reason to retain some level of flexibility within state government finances. During the next 20 years, it has been estimated that Maine's senior population will increase by 78%. I know that our current resources will not be adequate to care for that group's health care needs. Until a solution to this coming situation is apparent, I would caution the Committee to avoid the temptation to use the Maine State Constitution to resolve a matter of tax policy.

In closing, our organization has worked hard in the past to find solutions to difficult budget problems. We have searched for internal and external remedies to shrinking public funds. We have arrived at financially responsible solutions that have not compromised quality of care. But the very fact that we have operated efficiently means that further cuts present a real risk to residents and their caregivers. As you consider ways to reduce the current tax burden, I encourage you to remember how many vulnerable citizens would be affected by the tax policy you are debating today. Thank you for your time.

Maine

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AUTOMOBILE DEALERS ASSOCIATION, INC.

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**TESTIMONY OF JACK QUIRK RE: LDs 1 and 2**

Good Morning, Everyone.

Senator Damon, Representative Woodbury, ladies and gentlemen of the committee, my name is Jack Quirk. I am a resident of Hampden. Together with six of my seven sons, I own and operate Quirk Auto Park on Hogan Road in Bangor - a series of automobile dealerships representing nine different franchises. Our organization employs over 300 men and women.

Given the extent of the facilities we have built to service our customers, we pay considerable property tax to the City of Bangor.

I am also a past Chairman of the Maine Automobile Dealers Association, the statewide organization of all franchised car and truck dealers in Maine.

I appear here today representing myself both as an individual and as a business owner with a significant investment in the State of Maine and the City of Bangor. I also appear today on behalf of the Maine Automobile Dealers Association.

L.D. 1 has an ambitious title, and we wholeheartedly support the goals stated in that title. Governor Baldacci is to be commended for introducing a tax reform plan early in the Legislative session, a proposal which addresses the subject most important to all Maine citizens, whether that citizen is an individual or a business.

Governor Baldacci is also to be commended for introducing a concept which recognizes that Maine's extremely high tax burden on both individuals and businesses must be reduced, and reduced significantly over time. The Governor's proposal is also significant as a program which addresses Maine's property tax burden without increasing other taxes.

When dealers talk about Maine's highest-in-the-nation tax burden, they always talk about the need to control spending as a mandatory first, last and always step. Spending must be controlled at all levels of government. To his credit, Governor Baldacci's proposal sets spending caps on municipal, county and school budgets. However, it does not control state spending in the same manner. Dealers strongly believe that the same spending controls should be applied to all levels of government.

Governor Baldacci's plan increases the State's share of education funding over several years, which in our view is an appropriate transition. L.D. 1 requires that 90% of those additional State dollars be used for property tax relief. However, dealers believe that there should be a dollar-for-dollar pass through to local property tax relief.

L.D. 1 is a long, complex proposal for tax relief. As we understand it, Governor Baldacci has stated that further dialogue and adjustments will be necessary as we, together, drive a constructive path toward a reduced tax burden and an improving Maine economy. To that end, MADA is actively engaged, together with other business groups, in seeking an objective analysis of the immediate and long term implications of L.D. 1 and other tax relief proposals previously announced.

As this hearing is also an opportunity to comment on L.D. 2, I would simply like to say that we are opposed to L.D. 2 because it would increase the cost of doing business in Maine by putting an additional tax burden on Maine's industrial and commercial citizens.

In summary, I would like to re-state the fact that we support the effort to reduce Maine's tax burden. It is our belief, however, that all government spending must be controlled at similar levels, and that property tax relief cannot be financed by increasing sales and income taxes or other state and local revenue sources.

Thank you for the opportunity to speak today.

# MAINE SCHOOL MANAGEMENT ASSOCIATION

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STATEMENT SUBMITTED ON BEHALF OF
THE MAINE SCHOOL MANAGEMENT ASSOCIATION REPRESENTING THE
MAINE SCHOOL BOARDS ASSOCIATION AND THE MAINE SCHOOL
SUPERINTENDENTS ASSOCIATION

Senator Damon, Representative Woodbury, and Members of the Joint Committee: my name is Richard A. Spencer, and I am here today on behalf of Maine School Management Association, which represents the school boards and superintendents of Maine.

At the outset, let me say that MSBA and MSMA support the basic concept behind LD 1: that the residents of Maine need property tax relief, and that growth in government spending at all levels – state, county, municipal, and school – must be kept at reasonable levels. However, we also believe that equity requires that schools units be treated in the same fashion as all other units of government with respect to spending limits, and that the Essential Programs and Services model designed as an "adequacy" model to determine state subsidy – should not be used to place a spending limit on nearly 100 school units whose current levels of school expenditures exceed the amounts calculated under the new EPS model.

With these principles in mind, let me summarize quickly the changes we have proposed in LD 1.

1. Equity in treatment of all units of local government. The MSMA proposal would apply the same base for calculating expenditure limits to school units as would apply to other local governmental units. The spending cap would be computed by taking the prior year's expenditures plus an income growth factor and a property growth factor. School units below EPS – because again, EPS is an "adequacy" model – would be allowed an EPS "catch up factor" which, calculated properly, would enable them to achieve true EPS funding levels over a 4 year phase-in period.

The logic behind this proposal is straightforward: (1) school units should be treated the same as other units of government; (2) school units currently spending more than EPS should not be punished as a result; and (3) school units spending less than EPS should be allowed the opportunity to catch up to that level in no less than 4 years.

2. School expenditures which exceed the EPS model but are below the spending cap.

Consistent with the principle of equity between school units and other local governments, the process for schools to approve local spending that exceeds the EPS adequacy model but falls below the total spending cap should be the same as in counties and municipalities. Because we feel that it is reasonable, however, to clearly identify any proposed expenditures which are above the 100% costs of the EPS model, we have proposed requiring an informational statement in the Additional Local Funds article that would identify both the amount of proposed local spending in excess of 100% EPS costs and the reasons why. This will clearly provide the legislative body of the school administrative unit with the information necessary to make reasoned choices on local spending for schools, and will provide a further opportunity for local property tax relief.

3. Spending in excess of the expenditure cap. As is the case with municipalities and counties, under the MSMA proposal if a local school unit wishes to exceed the expenditure limit (that is, the prior year's expenditure level plus the income growth factor plus the property growth factor), this can only be done at a voter referendum. The referendum question would be the same as that for counties and municipalities. Under the MSMA proposal the referendum vote would be conducted at a special or general local election, using the same time frame as is now provided for SAD budget referenda. The referenda would be called by the municipal officers at the request of the school committee so that the municipal officers would not be granted a "pocket veto" by refusal to call the referendum. In municipal school units, the MSMA proposal would also establish equity between municipal school units, SAD's and CSD's by establishing separate municipal and school levy limits.

4. Miscellaneous changes. Finally, we have also proposed several other changes in LD 1 designed to make it more efficient and effective. We have suggested that the property growth factor should be calculated based on the second prior fiscal year, to permit the figures to be finalized before municipal and school budget preparation deadlines. We have also proposed the addition of "other casualty" exception to the definition of extraordinary events, to cover such issues as a building or roof collapse which, especially in small units, can be devastating. Finally, we propose moving up the date for the Commissioner to notify school units of the local cost-share expectation to January 10th, in order to give school units more time to prepare their budgets.

In conclusion, we believe that these proposed changes create a far more equitable way of ensuring that effective spending limitations are applied across the board to counties, municipalities and school units. Within those expenditure limits, school units expending more than EPS would have to disclose that fact to the voters or other legislative body in the budget process. But EPS would be true to its design as an

"adequacy" model, not an expenditure cap. School units spending less than EPS would be allowed the opportunity to achieve that standard in 4 years. Finally, all school budgets in excess of the expenditure limits would be subject to a voter referendum – just as would be the case in counties and municipalities.

December 21, 2004

Submitted by:

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# SPENDING AND ASSESSMENT LIMITS FOR SCHOOL UNITS: LD 1 MSMA PROPOSAL

| | CHANGES PROPOSED IN LD 1 | CHANGES TO LD 1 PROPOSED BY MSMA | ISSUES |
|---|---|---|---|
| LD 1 Towns: p. 7<br><br>Schools: pp. 21,22<br><br>Counties: p. 58 | **BASE FOR PROPOSED SPENDING LIMITS**<br><br>• LD 1 ESTABLISHES the base for the spending limits applicable to municipalities and counties as the prior years expenditure level plus an income growth factor and a property growth factor. The spending limit applicable to school units is different, it is the 100% cost under the Essential Programs and Services Model plus 2.75%, plus an EPS catch up adjustment for units whose prior year expenditures were below 100% of EPS costs. For approximately 100 school units whose existing expenditure levels exceed 100% of EPS costs, their existing expenditure level will exceed their spending limit in FY 2005-06. | • The MSMA proposal would use the same base for the spending limits for municipalities, counties, and school units. The spending cap for school units, as for municipalities and counties, would be the prior years expenditure level plus an income growth factor and property growth factor. School units which are below 100% of EPS costs would also receive an EPS catch-up factor to enable them to reach 100% EPS costs over a 4 year phase in. | Should the same spending limits apply to municipalities, counties, and school units?<br><br>Should school units with existing costs above 100% EPS model costs be required to submit their existing costs above the EPS model to a referendum vote outside of their normal budget process every year until they are eliminated?<br><br>Was EPS designed as an "adequacy" model for calculating state subsidy or as a "local spending cap" for school units?<br><br>If it was developed as an "adequacy model" should it be used as a local spending cap before it has been completely finished and before it has been tested? |
| Based on only data available; may be obsolete | **AFFECTED SCHOOL UNITS**<br><br>• Affected school units are expected to include Portland, Yarmouth, Augusta, Scarborough, Readfield, Bar Harbor, Blue Hill, Hermon, Bucksport, Dedham, Orland, Verona; SAD's 12, 13, 16, 18, 37, 59; School Union's 42, 44, 91, 92, 93, 98 and Airline CSD, Mt. Desert Island School District, Gouldsboro-Winter Harbor CSD, Flanders Bay CSD, and Jonesport Beals. | **AFFECTED SCHOOL UNITS**<br><br>• Approximately 100 school units would be helped by this change including school units Downeast, school units in coastal areas, school units in Southern Maine, and some larger cities. The school units that are expected to be helped by the MSMA proposal are the same as those that are expected to be most hurt by LD 1 as shown in the left hand column. | |
| LD 1 p. 22<br><br>LD 1 p. 21 | **EPS CATCH UP FACTOR**<br><br>• LD 1 establishes an EPS catch-up figure based on the difference between the 100% EPS costs and the amount of state and local spending from the prior fiscal year increased by the 3 year average Consumer Price Index.<br><br>• The catch-up figure for fiscal year 2005-06 is 25% of that difference; for fiscal year 2006-07 the catch-up figure is 25% of the remaining difference; for 2007-08 it is 25% of the remaining difference; and for 2008-09 it is whatever is left (about 45%).<br><br>• This catch-up formula appears to include a mathematical error which actually leaves 45% of the catch-up until the fourth year. | **EPS CATCH UP FACTOR**<br><br>• The MSMA proposal establishes a uniform EPS catch-up factor which is phased in over 4 years. The catch-up figure is based on the difference between the amount which can be raised under the spending limit and 100% of EPS costs.<br><br>• The catch-up figure for fiscal year 2005-06 is 25% of the difference; for FY 2006-07 it is 33% of the remaining difference; for FY 2007-08 it is 50% of the remaining difference; and for 2008-09 it is whatever is left (about 25%).<br><br>• This catch-up formula corrects what appears to be a mathematical error in LD 1. | Is there a reason not to have a catch-up which is phased in evenly over the four years?<br><br>Is there a reason to leave 45% of the catch-up costs to the fourth year of the phase in? |

| | CHANGES PROPOSED IN LD 1 | CHANGES TO LD 1 PROPOSED BY MSMA | ISSUES |
|---|---|---|---|
| LD 1<br>p. 21 | **ADDITIONAL LOCAL FUNDS ABOVE 100% OF EPS MODEL COSTS BUT BELOW EXISTING EXPENDITURE LEVELS**<br><br>• Under LD 1 municipalities and counties are not required to go to a special referendum on any costs which are below the existing expenditure levels plus the personal income and property growth factors. School units by contrast are required to gain approval at a referendum of any costs above 100% of EPS model costs even though they are below existing expenditure levels. For 100 school units whose existing costs are above the 100% EPS model costs, this requirement could jeopardize existing programs and services which have been developed through years of planning and development. Neither municipalities nor counties are subjected to such a requirement with respect to existing programs and services. | **ADDITIONAL LOCAL FUNDS ABOVE 100% OF EPS MODEL COSTS BUT BELOW EXISTING EXPENDITURE LEVELS**<br><br>• Under the MSMA proposal school units are treated in the same way as municipalities and counties, with respect to spending limits and referendum requirements.<br><br>• With respect to costs above the 100% EPS model costs but below existing expenditure levels, school units are required to disclose the amounts above the 100% EPS model costs in the information statement that is required as part of the additional local funds article. The school board is also required to give the reasons why it is recommending more than the 100% EPS model costs. In most school units the voters will have to approve the existing costs above 100% of EPS model costs in order for the existing expenditure levels to continue. As will the city or town council in charter municipalities.<br><br>• This will put pressure on local school boards to reduce or justify existing expenditure levels. | Should school units be treated in the same way as municipalities and counties with respect to spending limits and referenda?<br><br>If the amount of additional local funds for existing expenditure above 100% EPS model costs is disclosed as part of the additional local funds article will that create an adequate incentive for local school boards to eliminate unjustified existing programs.<br><br>Will the new disclosures required as part of the additional local funds article be sufficient to provide an adequate measure of tax relief in school units whose existing expenditure levels are above 100% EPS model costs? |
| LD 1<br>p. 10<br>Line 9<br>p. 60<br>Line 36<br><br>LD 1<br>p. 50 | **REFERENDUM QUESTIONS TO APPROVE AN INCREASE IN THE EXPENDITURE LIMIT**<br><br>• Under LD 1 the referendum question for municipalities and counties to exceed their expenditure limit is:<br><br>Do you favor raising the levy limit of [name of municipality or county] for the purpose of [unit purpose]?<br><br>• Under LD 1 the required referendum question for school units is:<br><br>"Article ___: Do favor adopting a budget that exceeds those costs considered reasonably necessary according to the essential programs and services model by (Recommended $____) for the purpose of [insert purpose]?" | **REFERENDUM QUESTIONS TO APPROVE AN INCREASE IN THE EXPENDITURE LIMIT**<br><br>• Under the MSMA proposal the same form of referendum question is used for municipalities, counties, and school units. The required question is:<br><br>"Do you favor raising the levy limit of [name of municipality or county or school unit] for the purpose of [insert purpose]?" | Should school units be required to use a question that almost demands a "no" vote?<br><br>Should school units be treated in the same way as municipalities and counties with respect to the required referendum question? |

| | CHANGES PROPOSED IN LD 1 | CHANGES TO LD 1 PROPOSED BY MSMA | ISSUES |
|---|---|---|---|
| LD 1<br>p. 22<br>See 20-A MRSA § 1305(1)<br><br>LD 1<br>p. 22 | **PROCEDURES FOR CALLING REFERENDUM VOTE**<br><br>• LD 1's procedure for calling a referendum vote requires at least 45 days and does not permit a referendum until the next statewide election. In a year in which there is no statewide election in June, it may not be possible to have the referendum until November of the fiscal year to which the budget applies. If there is no statewide election in November, the budget referendum could not be conducted until the following June – i.e. the last month of the fiscal year to which the budget applies.<br><br>• LD 1 gives the municipal officers of a municipal school unit (i.e. the selectman) a "pocket veto" over the portion of the school budget above the spending limit since the school committee cannot require the municipal officers to call the referendum. | **PROCEDURES FOR CALLING REFERENDUM VOTE**<br><br>• The MSMA proposal allows the referendum vote to be conducted at a special or general local election. It also shortens the time for conducting the referendum from 45 days to a minimum of 17 days which is the time required for an SAD budget referendum.<br><br>• The MSMA proposal requires the municipal officers to call a referendum when requested to do so by the school committee. | Corrects technical defects in the voting procedures in LD 1.<br><br>Should the Board of Selectman be able to exercise a pocket veto over a school board's request for a referendum to exceed the school spending limit? |
| LD 1<br>p.7 | **MUNICIPAL AND SCHOOL SPENDING LIMIT IN MUNICIPAL SCHOOL UNIT**<br><br>• LD 1 establishes a single levy limit for municipal and school expenditures in a municipality which is also a municipal school administrative unit which operates its own schools (i.e. Portland, Scarborough, Augusta, Yarmouth, Bangor, Winthrop, Bucksport, and Blue Hill). It establishes separate municipal and school levy limits for municipalities that are members of SAD's or CSD's or which tuition their students to other units. | **MUNICIPAL AND SCHOOL SPENDING LIMIT IN MUNICIPAL SCHOOL UNIT**<br><br>• The MSMA proposal establishes separate municipal and school levy limits for all school units including municipal school units which operate their own schools | Should a levy limit be applied separately to both municipal and school expenditures in a municipal school unit or should the municipal and school sides both be subject to one single combined limit?<br><br>Having separate municipal and school limits means that each side of municipal government has to keep its own expenditures under its own levy limit or face a referendum for its side of municipal government. |
| LD 1<br>p. 22<br>Line 41 | **CALLING A SPENDING LIMIT REFERENDUM**<br><br>• LD 1 requires that the "legislative body" of a municipality call a spending limit referenda. This means that the municipal officers of a municipal school unit would have to call a town meeting in order to then call a referendum. | **CALLING A SPENDING LIMIT REFERENDUM**<br><br>• The MSMA proposal allows the municipal officers to call a spending limit referendum at the request of the school committee. This allows the selectman of a municipal school unit to call the referendum without requiring a vote of the town meeting before they can do so. | Corrects a technical defect in LD 1. |

| | CHANGES PROPOSED IN LD 1 | CHANGES TO LD 1 PROPOSED BY MSMA | ISSUES |
|---|---|---|---|
| LD 1<br>p. 7 | **CALCULATION OF PROPERTY GROWTH FACTOR**<br>• LD 1 requires the use of a property growth factor which can not be calculated in most municipalities until after the date by which the municipal and school budgets must be adopted. | **CALCULATION OF PROPERTY GROWTH FACTOR**<br>• The MSMA proposal requires the use of a property growth factor from the second prior fiscal year which will have been calculated well in advance of the municipal and school budget preparation deadlines. | Corrects a technical defect in ld 1 |
| LD 1<br>p. 9<br>Line 42 | **DEFINITION OF EXTRAORDINARY EVENT**<br>• LD 1 includes any catastrophic event such as natural disaster, sever weather event, act of God, act of terrorism, fire, war and riot. | **DEFINITION OF EXTRAORDINARY EVENT**<br>• MSMA proposal adds "or other casualty" to include events such as a building or roof collapse. | Should there be an exception to the levy limit for major casualty not caused by natural disaster or act of God? |
| LD 1<br>p. 20<br>Line 37 | **DATE FOR NOTIFICATION OF LOCAL COST SHARE EXPECTATION**<br>• LD 1 requires Commissioner to notify local school units of local cost share expectation by February 1st. | **DATE FOR NOTIFICATION OF LOCAL COST SHARE EXPECTATION**<br>• MSMA proposal moves the notification date up three weeks to January 10th to give the local units more time to prepare their budgets. | How much time should be allowed to prepare local school budgets? |

Prepared and Submitted on behalf of
Maine School Management Association
by Richard A. Spencer.

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# Proposed Amendments to LD 1
# submitted on behalf of
# Maine School Boards Association
# and Maine School Management Association

1. Amend the bill in Part C section C-1, pages 7 through 10 to read as follows:

Sec. C-1. 30-A MRSA §5721-A is enacted to read:

§5721-A. Limitation on municipal and school appropriations

**1. Municipal and school ~~A~~appropriation limits established.** Notwithstanding any other provision of law, a municipality may not in any fiscal year make an appropriation, including amounts appropriated or allocated to reserves, except as otherwise provided in this section, where such appropriation utilizes revenues collected through property taxes levied by such municipality, and where such appropriation would cause the municipality to exceed its municipal property tax levy limit or its school property tax levy limit for the fiscal year. A municipality's municipal property tax levy limit for any fiscal year must be set at its municipal property tax levy limit for the prior fiscal year, multiplied by the sum of the following: one; plus the income growth factor set forth in subsection 4; plus the municipality's annual property growth factor for the prior fiscal year. The annual property growth factor for a municipality is a fraction established by the municipality whose denominator is the total valuation of the municipality, and whose numerator is the amount of increase in the assessed valuation of any real or personal property in the municipality ~~during the prior fiscal year~~ that ~~may become~~ became subject to taxation for the first time, or taxed as a separate parcel for the first time during such prior fiscal year, or that ~~has~~ had an increase in its assessed valuation over the second prior year's valuation during the prior fiscal year as a result of improvements to or expansion of the property. A municipality's school property tax levy limit shall be the limit established in Title 20-A Section 15671-A.

**2. Scope.** Municipal ~~A~~appropriation and property tax levy limits established in subsection 1 apply to any general fund appropriation of a municipality, other than appropriations and revenues related to tax increment financing districts or other similar special tax districts pursuant to state law, but do not apply to expenditures for school purposes ~~related to assessments or tuition expenditures properly issued by a school administrative unit or county of which the municipality is a member.~~

**3. Transition.** The appropriation limits established in subsection 1 becomes effective for a municipality for its first full fiscal year following the effective date of this section.

A. For purposes of determining the municipal property tax levy limit for the first fiscal year for which this section is effective, the limit must be set at the municipal property tax commitment of the municipality for the fiscal year during which this section becomes effective, multiplied by the sum of the following: one; plus the income growth factor set forth in subsection 4; plus the municipality's annual property growth factor set forth in subsection 1.

B. In the event the prior year's municipal tax commitment reflects the effect of extraordinary, nonrecurring events, the municipality may submit a written notice to the State Tax Assessor requesting an adjustment in the municipal levy calculation. The adjustment must be determined in a reasonable amount of time.

C. The municipality's school property tax levy limit is the limit established in Maine Revised Statutes, Title 20-A, Section 15671-A.

**4. Income growth factor.** The income growth factor applicable to fiscal years following the effective date of this section is the base growth factor, defined as the average real personal income growth rate, defined in Title 5, section 1665, subsection 1, which rate may not exceed 2.75%. For fiscal years commencing after such time as the state tax burden ranks in the middle 1/3 of all states, as determined by the State Tax Assessor, the growth factor must become the personal income growth factor. The personal income growth factor is one plus the average percent change in personal income in this State for the prior 10 calendar years, ending with the most recent calendar year for which data are available, as estimated by the United States Department of Commerce, Bureau of Economic Analysis. For purposes of this section, "state tax burden" means the total amount of state and local taxes paid by Maine residents, per $1,000 of income, as determined by the State Tax Assessor based on data from the United States Department of Commerce, Bureau of Census and Bureau of Economic Analysis. The State Tax Assessor shall undertake this calculation no less than once per year. For any fiscal year thereafter, if the State Tax Assessor has determined that the state tax burden has increased to the highest 1/3 of states, the growth factor for the following fiscal year must be the base growth factor. In all other fiscal years when the state tax burden ranks in the middle 1/3 of states, as determined by the State Tax Assessor, the growth factor must be the personal income growth factor.

**5. Adjustment for new state funding.** In the event the State provides net new funding to a municipality for existing services funded in whole or in part by property taxes, other than required state mandate funds pursuant to section 5685 that do not displace current property tax expenditures, the municipality shall lower its municipal property tax levy limit in that year in an amount equal to the net new funds. For purposes of this subsection, "net new funds" means the amount of funds received by the municipality from the State in that fiscal year, with respect to municipal services funded in whole or in part by property taxes, less the following product: the amount of such funds received in the prior fiscal year multiplied by an adjustment factor. The adjustment factor equals: one; plus the income growth factor set forth in subsection 4; plus the municipality's annual property growth factor as defined in subsection 1. In the event a municipality receives net new funds in any fiscal year for which its municipal levy limit has not been adjusted as provided in this subsection, the municipality shall adjust its municipal levy limit in the following year in an amount equal to the net new funds.

**6. Mill rate.** Notwithstanding Title 36, chapter 103, a municipality may, without the need for voter approval, establish a property tax mill rate at any level it considers appropriate and may establish any method of computing property taxes, provided that, in establishing such mill rate or method of computation, the tax rate and computation method do not cause the total property tax levy of the municipality to exceed its municipal or school property tax levy limits.

**7. Certain taxes.** Nothing in Title 36, chapter 103 may be interpreted to prohibit the imposition of special district taxes, user fees or county taxes on any real or personal property, provided such taxes or fees are otherwise permitted by law.

**8. Extraordinary events.** Upon the affirmative vote of a majority of its legislative body, a municipality may exceed its municipal property tax levy limit in such an amount as necessary to comply with a court order or decree or to respond to an extraordinary event. An "extraordinary event" includes any catastrophic event outside the control of the legislative body such as a natural disaster, severe weather event, act of God, act of terrorism, fire, war and riot, or other casualty but in no event may "extraordinary event" include a change in economic conditions, revenue shortfall or increase in salaries or benefits. An appropriation made under this subsection may not cause the municipality's municipal property tax levy limit to be adjusted for any future fiscal years nor may such an appropriation continue for longer than required to comply with the court order or decree or to address the extraordinary event.

**9. Election.** A municipality may elect to raise its municipal property tax levy limit upon the affirmative vote of the voters by municipal election held at any regular or special election. Notwithstanding any law to the contrary, such election may be called only upon the affirmative vote of a majority of the municipality's ~~legislative body~~municipal officers and must be governed according to state law and any applicable municipal charter except that the warrant or notice of election may be posted at any time at least seven days before the election and absentee ballots may be made available at any time at least fourteen days prior to the date of the election. The warrant for the election must set forth the question to be determined, which must be in the following form: "Do you favor raising the municipal levy limit of the [name of municipality] for the purpose of [insert purpose]?"

**10. Treatment of surplus; reserves.** Any property tax revenues collected by a municipality in any fiscal year in excess of its property tax levy limit, as determined by a final audited accounting, must be transferred to a property tax relief fund, which each municipality must establish, and used to reduce municipal property tax levies in subsequent fiscal years. Nothing in this subsection is intended to limit the ability of a municipality to maintain adequate reserves pursuant to section 5801, provided that annual allocations or appropriations of funds to reserves are treated as appropriations subject to the municipal appropriation limits set forth in subsection 1.

**11. Fractional divisions.** A municipality may, consistent with Title 36, section 710, exceed its municipal and school property tax levy limits in such reasonable amounts as necessary to avoid fractional divisions.

**12. Enforcement.** In the event a municipality makes appropriations in violation of this section, the State Tax Assessor may require the municipality to adjust its municipal appropriation limit downward in an amount equal to the illegal appropriation and impose such other penalties as the Legislature may provide.

2. Amend the bill in Part D, section D-36, Title 20-A section 15671-A, subsection 2, paragraph A on page 20 to read as follows:

**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~~January 10th 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.

3. Amend the bill in Part D, section D-36, Title 20-A section 15671-A, subsection 3 on page 21 to read as follows:

**3. Exceeding maximum local cost share expectations; separate article.** Beginning with the 2005-2006 school budget, the legislative body of a school administrative unit may adopt ~~property tax rates~~ an additional local appropriation that ~~exceed~~ exceeds 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. If that additional appropriation causes the school administrative unit to exceed the ~~maximum state and local spending target~~ school property tax levy unit described in subsection 4, the voting requirements of subsection 4 apply.

4. Amend the bill in Part D, section D-36, Title 20-A section 15671-A by deleting subsection 4 on pages 21 and 22 and replacing it with subsections 4 through 16 as set forth below:

**4. School property tax levy limit established.** Notwithstanding any other provision of law, a school administrative unit may not in any fiscal year make an appropriation, including amounts appropriated or allocated to reserves, except as otherwise provided in this section, where such appropriation utilizes revenues collected through property taxes levied or assessed by such school administrative unit, and where such appropriation would cause the school administrative unit to exceed its school property tax levy limit for the fiscal year. A school administrative unit's school property tax levy limit for any fiscal year must be set at its school property tax levy limit for the prior fiscal year, multiplied by the sum of the following: one; plus the income growth factor set forth in subsection 7; plus the municipality's annual property growth factor for the second prior fiscal year. The annual property growth factor for a school administrative unit is a fraction established by the school administrative unit whose denominator is the total valuation of the school administrative unit for the second prior fiscal year, and whose numerator is the amount of increase in the assessed valuation of any real or

personal property in the school administrative unit that became subject to taxation for the first time, or taxed as a separate parcel for the first time during such second prior fiscal year, or that had an increase in its second prior year's valuation during the second prior fiscal year as a result of improvements to or expansion of the property.

5. **Scope.** School property tax levy limits established in subsection 1 apply to any property tax levy or assessment of a school administrative unit, other than local only debt.

6. **Transition.** The school property tax levy limit established in subsection 4 becomes effective for a school administrative unit for its first full fiscal year following the effective date of this section, subject to the following transition provisions:

A. For purposes of determining the school property tax levy limit for the first fiscal year for which this section is effective, the limit must be set at the property tax levy or assessment of the school administrative unit, excluding local only debt service, for the fiscal year during which this section becomes effective, multiplied by the sum of the following: one; plus the income growth factor set forth in subsection 7; plus the school administrative unit's annual property growth factor as set forth in subsection 4, plus for those units below 100% of essential programs and services, a catch up factor defined in paragraphs B-E.

B. The catch up factor for fiscal year 2005-06 is equal to 25% of the difference between (1) the local spending, excluding local only debt, from fiscal year 2004-05 increased by the amount of increase in the school property tax levy limit for 2005-06 under paragraph A and (2) the local spending required to fund 100% of the essential programs and services costs for fiscal year 2005-06.

C. The catch up factor for fiscal year 2006-07 is equal to 33% of the difference between (1) the local spending, excluding local only debt, from fiscal year 2005-06 increased by the amount of increase in the school property tax levy limit for 2006-07 under paragraph A and (2) the local spending required to fund 100% of the essential programs and services costs for fiscal year 2006-07.

D. The catch up factor for fiscal year 2007-08 is equal to 50% of the difference between (1) the local spending, excluding local only debt, from fiscal year 2006-07 increased by the amount of increase in the school property tax levy limit for 2007-08 under paragraph A and (2)

the local spending required to fund 100% of the essential programs and services costs for fiscal year 2007-08.

E. The catch up factor for fiscal year 2008-09 is equal to any remaining difference between (1) the local spending, excluding local only debt, from fiscal year 2007-08 increased by the amount of increase in the school property tax levy limit for 2008-09 under paragraph A and (2) the local spending required to fund 100% of the essential programs and services costs for fiscal year 2008-09.

F. The school property tax levy limit for fiscal years 2009-10 and succeeding years is equal to the amount calculated under paragraph 4 with no further catch up factors.

G. In the event the prior year's school property tax limit reflects the effect of extraordinary, nonrecurring events, the school administrative unit may submit a written notice to the Commissioner requesting an adjustment in the school property tax levy limit calculation. The adjustment must be determined in a reasonable amount of time.

7. **Income growth factor.** The income growth factor applicable to fiscal years following the effective date of this section is the income growth factor established in Maine Revised Statutes Title 30-A Section 5721-A, subsection 4.

8. **Adjustment for new state funding.** In the event the State provides net new funding to a school administrative unit for existing services funded in whole or in part by property taxes, other than the increase in the state share of essential programs and services and state subsidized debt service, the school administrative unit shall lower its property tax levy limit in that year in an amount equal to the net new funds. For purposes of this subsection, "net new funds" means the amount of funds received by the school administrative unit from the State in that fiscal year, other than the increase in state share of essential programs and services and state subsidized debt service, with respect to services funded in whole or in part by property taxes, less the following product: the amount of such funds received in the prior fiscal year multiplied by an adjustment factor. The adjustment factor equals: one; plus the income growth factor set forth in subsection 7; plus the school administrative unit's annual property growth factor as defined in subsection 4. In the event a school administrative unit receives net new funds in any fiscal year for which its levy limit has not been adjusted as provided in this subsection, the school administrative unit shall adjust its levy limit in the following year in an amount equal to the net new funds.

**9. Mill rate.** Notwithstanding Title 36, chapter 103, a municipal school administrative unit may, without the need for voter approval, establish a property tax mill rate at any level it considers appropriate and may establish any method of computing property taxes, provided that, in establishing such mill rate or method of computation, the tax rate and computation method do not cause the total property tax levy of the municipality, excluding locally funded school debt service, to exceed its property tax levy limit.

10. **Certain taxes.** Nothing in Title 36, chapter 103 may be interpreted to prohibit the imposition of special district taxes, or user fees on any real or personal property, provided such taxes or fees are otherwise permitted by law.

**11. Extraordinary events.** Upon the affirmative vote of a majority of its legislative body, a school administrative unit may exceed its school property tax levy limit in such an amount as necessary to comply with a court order or decree or to respond to an extraordinary event. An "extraordinary event" includes any catastrophic event outside the control of the legislative body such as a natural disaster, severe weather event, act of God, act of terrorism, fire, war and riot, and other casualty but in no event may "extraordinary event" include a change in economic conditions, revenue shortfall or increase in salaries or benefits. An appropriation made under this subsection may not cause the school administrative unit's school property tax levy limit to be adjusted for any future fiscal years nor may such an appropriation continue for longer than required to comply with the court order or decree or to address the extraordinary event.

**13. Election.** A school administrative unit may elect to raise its property tax levy limit upon the affirmative vote of the voters at a regular or special election. In school administrative districts the election may be held as part of the district's budget adoption process under sections 1305(2) and (3) or section 1305-B, or if the district employs the budget meeting procedure of section 1305, under the referendum procedures of section 1305(2) and (3). In a community school district the referendum shall be conducted in accordance with Section 1701-B if the district has approved that method of budget adoption, or if the district employs the budget meeting procedure of section 1701 for budget adoption, in accordance with the referendum procedures of section 1305(2) and (3) as adopted to a community school district. In a charter municipality or city which is a municipal school unit, the referendum election shall be conducted in accordance with the municipal charter and state law, except that, notwithstanding any provision of law or charter to the contrary, the referendum must be called by the municipal officers at the request of the school board, the warrant or notice of election may abe posted at any time up

to 7 days prior to the referendum and absentee ballots for the referendum may be made available at any time not less than 14 days prior the date of the referendum. In a municipal school unit which does not operate under a municipal charter, the referendum must be called by the municipal officers at the request of the school board or school committee and the referendum shall be conducted under Maine Revised Statutes Title 30-A, Section 2528(5) except that the filing provisions governing nomination papers under subsection 4 shall not apply, and, notwithstanding any other provision of law, absentee ballots may be made available at any time not less than 14 days prior to the date of the referendum. The warrant for the election must set forth the question to be determined, which must be in the following form: "Do you favor raising the school property tax levy limit of the [name of school administrative unit] for the purpose of [insert purpose]?"

**14. Treatment of surplus; reserves.** Any property tax revenues collected by a school administrative unit in any fiscal year in excess of its school property tax levy limit, as determined by a final audited accounting, must be transferred to a property tax relief fund, which each school administrative unit must establish, and used to reduce school property tax assessments in subsequent fiscal years. Nothing in this subsection is intended to limit the ability of a school administrative unit to maintain adequate reserves, provided that annual allocations or appropriations of funds to reserves or reserve accounts are treated as appropriations subject to the appropriation limits set forth in subsection 4.

**15. Fractional divisions.** A municipal school administrative unit may, consistent with Title 36, section 710, exceed its property tax levy limit in such reasonable amount as necessary to avoid fractional divisions.

**16. Enforcement.** In the event a school administrative unit makes appropriations in violation of this section, the Commissioner may require the school administrative unit to adjust its school appropriation limit downward in an amount equal to the illegal appropriation and impose such other penalties as the Legislature may provide.

5. Amend the bill in Part D, section D-55, Title 20-A section 15690 subsection 3 on pages 49 and 50 to read as follows:

**3. Additional local appropriation.** A school administrative unit may raise and expend funds for educational purposes in addition to the funds under subsections 1 and 2 up to the school administrative unit's school property tax levy limit.

A. An article in substantially the following form must be used when a school administrative unit is considering the appropriation of additional local funds up to the school administrative unit's school property tax levy limit:

(1) "Article____ : To see ~~what sum~~ if the (municipality or district) will raise and ~~to~~ appropriate the sum of ~~(Recommend $____)~~$_____ in additional local funds for school purposes under the Maine Revised Statutes, Title 20-A, section 15690. (Recommend $____ .)"

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The additional local funds are those locally raised funds over and above the school administrative unit's local contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and local amounts raised for the annual debt service payment on non-state-funded school construction projects or the non-state-funded portion of a school construction project that will help achieve the (municipality's or district's) budget for educational programs."

If the recommended amount for additional local funds exceeds 100% of the school administrative unit's essential programs and services costs for the fiscal year, the following statement must also accompany the article. "The recommended amount for additional local funds exceeds 100% of the essential programs and services costs calculated for the (municipality or district) under the Essential Programs and Services Funding Act by $_____. The (Board of Directors or school committee)recommends this amount for the following reasons: (insert explanation)

B. An article in substantially the following form must also be used when a school administrative unit is considering an appropriation of additional local funds that exceeds the ~~maximum state and local spending target~~ school property tax levy limit defined in section 15671-A~~, subsection 4.~~

(1) "Article____ : Do you favor raising the school property tax levy limit of the [name of municipality or district] ~~adopting a budget that exceeds those costs considered reasonably necessary~~

~~according to the essential programs and services funding model by (Recommend $____.)~~ for the purpose of (insert purpose)?"

6. Amend the bill in Part D, section D-55, Title 20-A, section 15693 subsection 2 paragraph C on page 52 to read as follows:

> C. Notwithstanding any municipal charter provision, ordinance or other law to the contrary, if the level of state subsidy for the next school year is not finalized in accordance with this chapter before June 1st, the school board may delay a school budget meeting otherwise required to be held before July 1st to a date after July 1st. If a school board elects to delay a school budget meeting under this paragraph, the meeting must be held and the budget approved within ~~30~~60 days of the date the commissioner notifies the school board of the amount allocated to the school administrative unit under section 15689-B. When a school budget meeting is delayed under this paragraph, the school administrative unit may continue operation of the unit at the same budget levels as were approved for the previous year. Continued operation under the budget for the previous year is limited to the time between July 1st and the date the new budget goes into effect.

AARP Maine

December 14, 2004

Senator Damon, Representative Woodbury and members
Joint Select Committee on Property Tax Reform

Ladies and Gentlemen:

We are pleased to present this brief testimony on LD 1 and LD 2. Our Advocacy Team has not discussed these bills. We will do so and we expect to take official positions on them at our meeting in Portland on December 16.

Based upon national AARP policy and our past positions, however, we can say with assurance that we support the proposal to amend 36 MRSA, Section 6207(2) by increasing the allowable income for circuit breaker benefits to $50,000 for one-person households and to $75,000 for larger households.

We also support Sec F-7 of LD 1 which would initiate a study the result of which might pave the way to increase the maximum benefit under the circuit breaker program.

Finally as to LD 2, we are likely to support this proposed amendment to our State Constitution. If adopted and properly implemented, this amendment could be very helpful to waterfront homeowners whose incomes have not kept pace with rapidly climbing land values. We will be very concerned, however, with the implementing statutes, should this amendment be approved by the electorate.

I regret that I am not authorized to answer any questions at this time, but I will convey any questions to our Advocacy Team next Thursday, and we will respond in writing shortly thereafter.

Respectfully submitted,

Shawn Lewin
Member, AARP Advocacy Team

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AARP Maine

Judy

December 28, 2004

The Honorable John E. Baldacci
Governor, State of Maine
State House Station # 1
Augusta, Me 04333

Dear Governor Baldacci:

Enclosed please find AARP's Property Tax Reform Position Statement in support of the major tenants of LD 1 An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.

We will be working with the House and Senate sponsors of the Bill along with the Governor's office, the State Planning Office and the members of the Joint Select Committee on Property Tax Reform in order to pass LD 1 with the intent that this is the first step in an ongoing process for full tax reform for the State.

AARP Maine proposes the following amendments to LD 1 in four specific areas:

- Restore the maximum Circuit Breaker benefit to $3,000 this biennium and establish a plan to increase benefit levels over time.
- Eliminate the Homestead Exemption Program and turn 100% of that revenue into the Circuit Breaker benefit level.
- Implement and administer the Circuit Breaker Program through Maine Revenue Services.
- Shorten the implementation timetable for 55% state funding for EPS.

AARP's support of tax reform policies and the foundation behind our amendments are based on a series of broad principles. These include a progressive tax burden based on the ability to pay; the efficient administration of tax collection and the maintenance of an adequate revenue stream that will not affect public policies and programs.

If I can answer any questions about our advocacy work regarding LD 1 in particular or tax reform in general, please contact me at 207-791-3901 or email me at jdolphin@aarp.org. Thank you.

Sincerely,

Jud Dolphin

Jud Dolphin
State Director

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CC: Senate President Betheda G. Edmonds
Speaker of the House, John Richardson
Senator Dennis S. Damon, Chair Joint Select Committee on Property Tax Reform
Rep. Richard Woodbury, Chair Joint Select Committee on Property Tax Reform
Senator Joseph Perry
Senator S. Peter Mills
Senator Richard Rosen
Rep. Arthur Lerman
Rep. Benjamin Dudley
Rep. Edward Dugay
Rep. Jaqueline Norton
Rep. Nancy Smith
Rep. Harold Clough
Rep. Vaughan Stedman
Rep. Leonard Earl Bierman
Rep. Earle McCormick
Rep. Patrick Flood
Martha Freeman, Director, State Planning Office

AARP Maine

Judy

**AARP Property Tax Reform Position Statement**

**Background**

With the defeat of the dangerous and extreme Palesky Tax Cap proposal, the work of meaningful and targeted property tax relief remains. AARP is committed to seeing such relief enacted in the 2005 legislative session and encourages our 200,000 members to make their convictions known. The public is rightfully alarmed about their high property taxes. Maine has the dubious distinction of having the highest property tax burden in the nation according to the Maine State Planning Office.

AARP supports Tax Reform policies that are based on the following broad principles:

- **Equity**: The tax burden should be progressive and be distributed according to people's ability to pay
- **Economic Neutrality**: Taxes should not unduly hinder economic growth, induce inflation nor discourage savings.
- **Administrative Efficiency**: Tax collection should be efficient and consistent with protection of individual liberties, and privacy
- **Revenue Potential**: An adequate and consistent source of revenue is necessary for stable and reliable public policies and programs
- **Impact on the Budget**: Tax measures that achieve desired social and economic needs should be weighted carefully against impact on federal and/or state budget deficits.
- **Social and Economic Goals**: A balance is needed between a tax system that addresses social and economic needs and keeping the system free from tax expenditures that undermine equity. *

Governor Baldacci has submitted two bills to address property tax relief as the first effort in an overall agenda to reform Maine's entire tax structure. (LD 1 & LD 2).

**When the following recommendations for Amendments to the Bill are approved, then AARP can support LD 1 <u>An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels</u>**

**Circuit Breaker Program**

1. AARP strongly recommends that the current Circuit Breaker Program be significantly strengthened in order for the resulting property tax relief to be meaningful for older and low income persons. In order to strengthen the current program, AARP supports LD 1 (Sec. F-3) which increases the income eligibility guidelines to $50,000 for single households and $ 75,000 for multiple member households.
2. AARP proposes that section (F-3) be amended to restore the maximum benefit to at least $3,000 during this biennium and to set the benefit at a higher level as soon as possible. The current and proposed benefit level of $1,000 will not provide meaningful relief for most homeowners who qualify for the program. The proposed Bill offers a benefit level of $3,000, but not until 2011 which is too long to wait.
3. AARP also proposes an amendment to LD 1 to eliminate the current Homestead Exemption Program which currently costs $ 23 m. annually. We propose to turn that entire amount (100%) into the Circuit Breaker Program in order to raise benefit levels as quickly as possible. Because the Homestead Exemption Program is not tied to income levels and does not provide relief to renters, we believe the state's resources should be invested in the improved Circuit Breaker Program.
4. AARP also recommends changes to the current Circuit Breaker Program, either in statute or regulation that would make it easier to access by tying it to the Maine State Income Tax and administrating the program through Maine Revenue Services. This will let everyone who pays Maine taxes know about the program as they complete their state tax forms and will allow the state to send any benefits directly to the taxpayers without stigmatizing the program's

December 22, 2004

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beneficiaries. AARP recognizes that this process will not reach those Maine's citizens who do not file income taxes, however, AARP will work with Maine Revenue Services to establish a refundable tax credit mechanism.

**Education Funding**

1. AARP strongly endorses LD 1's proposed changes to the current Essential Programs & Services (EPS). As proposed, LD 1 provides for the state to fund EPS at 55% of cost by the year 2009 with the requirement that at least 90% of those funds be directed locally towards property tax relief. AARP endorses the concepts of EPS and making the property tax relief for all households being a mandatory requirement.
2. AARP strongly urges the Governor and the Joint Select Committee on Property Tax Reform to ramp up the schedule outlined in LD 1 for implementation and shortens it to increase the state share of EPS to the full 55% as quickly as possible. The citizens' referendum that passed in June of 2004 (Question 1-A) included language that directed the State to fund ESP immediately.

**Spending Caps**

1. AARP opposes constitutional amendments. In general, majority votes at all levels of government give the most flexibility and authority to the voter.
2. AARP supports a reasonable balance of taxes and essential services. Older people have supported their government throughout their lives and expect necessary services to be in place when they need them.
3. AARP supports the concept of spending caps at all levels of government (state, county and local) that are statutory and hold the elected official accountable. Spending caps should provide for a reasonable amount of flexibility and create a balance between essential services and tax relief.

**Conclusion**

AARP can support LD 1 with the proposed amendments as the first steps in reaching immediate and long term property tax relief.

1. Restore maximum Circuit Breaker benefit to $3,000 this biennium and establish a plan to increase benefit level over time.
2. Eliminate the Homestead Exemption Program and turn 100% of those revenues into the Circuit Breaker benefit level.
3. Implement and administer the Circuit Breaker Program through the Maine Revenue Service.
4. Shorten the implementation timetable for 55% state funding for EPS.

AARP stands ready, willing and able to work with state leaders and elected officials on subsequent proposals for full tax reform efforts that address other aspects of taxation, namely the income tax and sales tax. According to the 2003 census report, Maine is the grayest state in New England and ranks 4th in the nation for the percentage of population over 60. Full tax reform is necessary in order to raise adequate funding for essential programs and services for the elderly and secure our economic growth and security.

Together, we have the power to make it better.

* *The Policy Book, AARP Public Policies 2004*

December 22, 2004

***Estimated Impact of Proposals Requested by Sen. Mills and Rep. Woodbury***

| | 2006 Program Year | | |
|---|---|---|---|
| | **Current Law** | **Proposal A /1** | **Proposal B /2** |
| Estimated Cost of Program | $ (28,702,423) | ($60,774,762) | ($64,478,584) |
| Additional Cost of Program | | ($32,072,339) | ($35,776,161) |
| Estimated Number of Claimants | 69,953 | 103,338 | 106,477 |
| Additional Number of Claimants | | 33,385 | 36,524 |
| Estimated Average Refund | $410 | $588 | $606 |

Maine Revenue Services
Economic Research Division

28-Dec-04
9:39 AM

1/ The proposal removes the income caps, increases the maximum refund amount to $4,000 and limits the amount of property taxes used to determine eligibility to the first $4,000.

2/ In addition to Proposal A, the percentage of rent constituting property tax is increased from 18% to 20%, and refund formula is changed to 60% between 4% and 9% of income, and 100% above 9% of income.

| *PRELIMINARY* | ACTUAL | | |
|---|---|---|---|
| | 2004 VALUATION | 2005 VALUATION | PERCENT CHANGE |
| ANDRSCGGN CNTY | 5,245,650,000 | 5,879,200,000 | 12.1% |
| AROOSTK CNTY | 2,886,950,000 | 3,002,900,000 | 4.0% |
| CUMBRLND CNTY | 26,458,600,000 | 30,301,350,000 | 14.5% |
| FRANKLIN CNTY | 2,584,600,000 | 2,807,600,000 | 8.6% |
| HANCOCK CNTY | 7,340,800,000 | 8,443,550,000 | 15.0% |
| KENNBC CNTY | 5,965,750,000 | 6,618,800,000 | 10.9% |
| KNOX CNTY | 4,582,000,000 | 5,347,200,000 | 16.7% |
| LINCLN CNTY | 4,574,150,000 | 5,626,700,000 | 23.0% |
| OXFRD CNTY | 4,135,150,000 | 4,603,500,000 | 11.3% |
| PENBSCT CNTY | 7,196,900,000 | 7,725,450,000 | 7.3% |
| PISCATQS CNTY | 942,500,000 | 1,043,350,000 | 10.7% |
| SAGADHC CNTY | 2,674,700,000 | 3,120,800,000 | 16.7% |
| SOMRST CNTY | 2,997,750,000 | 3,195,150,000 | 6.6% |
| WALDO CNTY | 2,876,600,000 | 3,148,400,000 | 9.4% |
| WASHNGTN CNTY | 1,989,400,000 | 2,183,020,000 | 9.7% |
| YORK CNTY | 19,555,900,000 | 22,623,450,000 | 15.7% |
| | 102,007,400,000 | 115,670,420,000 | 13.4% |

These are PRELIMINARY figures and may change.

## *PRELIMINARY ESTIMATES ONLY --*

| UNIT CODE | TOWN CODE | S.A.U. | *Actual* 2001-02 Local Raised (Includes Additional Local) | *Actual* 2002-03 Local Raised (Includes Additional Local) | *Actual* 2003-04 Local Raised (Includes Additional Local) | *Estimated* 2005-06 Required Local Mill Expectation Model |
|---|---|---|---|---|---|---|
| 506 | 068 | Buxton | 29.2% | 28.8% | 28.6% | 29.6% |
| 506 | 173 | Frye Island | 4.2% | 4.1% | 4.1% | 0.0% |
| 506 | 203 | Hollis | 13.9% | 14.1% | 14.8% | 16.6% |
| 506 | 237 | Limington | 10.8% | 10.7% | 10.7% | 11.0% |
| 506 | 408 | Standish | 41.8% | 42.2% | 41.9% | 42.9% |
| **Total SAD #6** | | | | | | |
| 513 | 041 | Bingham | 40.2% | 41.0% | 46.5% | 37.7% |
| 513 | 076 | Caratunk | 14.3% | 14.5% | 1.5% | 10.0% |
| 513 | 289 | Moscow | 36.6% | 36.0% | 43.4% | 50.1% |
| 513 | 467 | West Forks | 8.9% | 8.6% | 8.6% | 2.1% |
| **Total SAD #13** | | | | | | |
| 540 | 162 | Friendship | 12.6% | 12.5% | 12.2% | 16.2% |
| 540 | 434 | Union | 15.5% | 15.6% | 16.0% | 15.8% |
| 540 | 447 | Waldoboro | 36.6% | 36.4% | 36.0% | 35.0% |
| 540 | 451 | Warren | 25.9% | 25.7% | 25.7% | 22.9% |
| 540 | 453 | Washington | 9.3% | 9.8% | 10.0% | 10.1% |
| **Total SAD #40** | | | | | | |
| 544 | 012 | Andover | 8.4% | 8.1% | 8.1% | 11.2% |
| 544 | 039 | Bethel | 33.3% | 34.4% | 34.5% | 47.7% |
| 544 | 181 | Greenwood | 10.8% | 10.6% | 10.7% | 15.2% |
| 544 | 303 | Newry | 35.7% | 35.2% | 34.7% | 8.2% |
| 544 | 488 | Woodstock | 11.8% | 11.7% | 12.1% | 17.8% |
| **Total SAD #44** | | | | | | |
| 557 | 006 | Alfred | 11.3% | 11.4% | 11.3% | 11.3% |
| 557 | 235 | Limerick | 11.9% | 12.1% | 12.5% | 12.3% |
| 557 | 252 | Lyman | 18.5% | 18.3% | 18.4% | 19.2% |
| 557 | 298 | Newfield | 8.3% | 8.2% | 8.3% | 9.2% |
| 557 | 390 | Shapleigh | 16.0% | 15.9% | 15.5% | 18.9% |
| 557 | 454 | Waterboro | 34.0% | 34.1% | 34.1% | 29.1% |
| **Total SAD #57** | | | | | | |
| 560 | 038 | Berwick | 37.2% | 36.6% | 36.7% | 33.5% |
| 560 | 229 | Lebanon | 30.3% | 30.2% | 30.2% | 25.0% |
| 560 | 309 | North Berwick | 32.5% | 33.2% | 33.2% | 41.4% |
| **Total SAD #60** | | | | | | |
| 571 | 219 | Kennebunk | 63.4% | 62.6% | 62.8% | 76.7% |
| 571 | 220 | Kennebunkport | 36.6% | 37.4% | 37.2% | 23.3% |
| **Total SAD #71** | | | | | | |
| 572 | 061 | Brownfield | 14.3% | 14.3% | 13.9% | 12.5% |
| 572 | 120 | Denmark | 15.4% | 15.3% | 15.4% | 21.6% |
| 572 | 163 | Fryeburg | 33.9% | 33.9% | 33.9% | 28.7% |
| 572 | 248 | Lovell | 24.0% | 24.2% | 24.8% | 23.3% |
| 572 | 414 | Stoneham | 3.9% | 3.9% | 3.8% | 4.3% |
| 572 | 416 | Stow | 3.8% | 3.8% | 3.8% | 3.5% |
| 572 | 423 | Sweden | 4.6% | 4.6% | 4.6% | 6.2% |
| **Total SAD #72** | | | | | | |
| 574 | 013 | Anson | 46.8% | 45.6% | 45.2% | 33.9% |
| 574 | 145 | Embden | 22.1% | 22.3% | 22.5% | 32.6% |
| 574 | 302 | New Portland | 14.1% | 15.0% | 15.4% | 15.9% |
| 574 | 397 | Solon | 17.0% | 17.1% | 16.9% | 17.6% |
| **Total SAD #74** | | | | | | |

## *PRELIMINARY ESTIMATES ONLY --*

| UNIT CODE | TOWN CODE | S.A.U. | *Actual* 2001-02 Local Raised (Includes Additional Local) | *Actual* 2002-03 Local Raised (Includes Additional Local) | *Actual* 2003-04 Local Raised (Includes Additional Local) | *Estimated* 2005-06 Required Local Mill Expectation Model |
|---|---|---|---|---|---|---|
| 575 | 047 | Bowdoin | 12.3% | 12.4% | 12.7% | 9.1% |
| 575 | 048 | Bowdoinham | 12.0% | 12.0% | 11.7% | 9.9% |
| 575 | 190 | Harpswell | 35.7% | 36.2% | 36.9% | 42.0% |
| 575 | 429 | Topsham | 40.0% | 39.5% | 38.7% | 38.9% |
| **Total SAD #75** | | | | | | |
| 904 | 158 | Franklin | 18.0% | 18.2% | 19.3% | 13.0% |
| 904 | 172 | Gouldsboro | 29.5% | 29.2% | 28.3% | 37.5% |
| 904 | 399 | Sorrento | 3.6% | 4.2% | 5.0% | 6.6% |
| 904 | 411 | Steuben | 15.0% | 14.4% | 14.8% | 13.4% |
| 904 | 418 | Sullivan | 20.2% | 21.1% | 21.9% | 15.4% |
| 904 | 482 | Winter Harbor | 13.7% | 13.0% | 10.7% | 14.2% |
| **Total Flanders Bay CSD** | | | | | | |
| 907 | 028 | Bar Harbor | 36.1% | 36.2% | 37.2% | 44.0% |
| 907 | 291 | Mount Desert | 35.5% | 34.8% | 33.9% | 21.7% |
| 907 | 405 | Southwest Harbor | 16.9% | 17.7% | 17.7% | 20.3% |
| 907 | 430 | Tremont | 11.6% | 11.4% | 11.3% | 13.9% |
| **Total Mt. Desert CSD** | | | | | | |
| 911 | 399 | Sorrento | 12.9% | 10.0% | 10.4% | 18.8% |
| 911 | 418 | Sullivan | 87.1% | 90.0% | 89.6% | 81.2% |
| **Total Schoodic CSD** | | | | | | |
| 912 | 097 | Codyville Plt. | 2.6% | 4.0% | 8.3% | 20.4% |
| 912 | 428 | Topsfield | 97.4% | 96.0% | 91.7% | 79.6% |
| **Total East Range CSD** | | | | | | |
| 914 | 052 | Bremen | 14.0% | 15.4% | 17.2% | 17.5% |
| 914 | 114 | Damariscotta | 46.5% | 46.0% | 44.9% | 50.3% |
| 914 | 297 | Newcastle | 39.5% | 38.7% | 37.9% | 32.1% |
| **Total Great Salt Bay CSD** | | | | | | |
| 918 | 462 | Wells | 75.8% | 78.0% | 75.6% | 95.7% |
| 918 | 498 | Ogunquit | 24.2% | 22.0% | 24.4% | 4.3% |
| **Total Wells-Ogunquit CSD** | | | | | | |
| 919 | 014 | Appleton | 5.1% | 2.5% | 4.6% | 3.8% |
| 919 | 072 | Camden | 46.2% | 48.7% | 47.3% | 52.9% |
| 919 | 204 | Hope | 5.6% | 4.4% | 5.3% | 4.4% |
| 919 | 240 | Lincolnville | 13.3% | 13.3% | 14.1% | 12.7% |
| 919 | 369 | Rockport | 29.9% | 31.0% | 28.8% | 26.2% |
| **Total Five Town CSD** | | | | | | |

***2003-04 local raised for Ogunquit includes additional for keeping elementary school open.***

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | *Estimated Impact of Proposals Requested by Rep. Flood* | | | | |
| | | | **2006 Program Year** | | | | |
| | | Current Law | Tier 1 | Tier 2 | A | LD 1 | B |
| | Income Limit | | | | | | |
| | Single | $31,700 | $31,700 | $31,700 | $45,000 | $50,000 | $75,000 |
| | Multiple | $49,200 | $49,200 | $49,200 | $60,000 | $75,000 | $100,000 |
| | | | | | | | |
| | Renter Relief | 18.0% | 20.0% | 25.0% | 18.0% | 18.0% | 18.0% |
| | | | | | | | |
| | Payout Ratio | 50% of rent above 4% | 60% of rent above 4% | 70% of rent above 4% | 50% of rent above 4% | 50% of rent above 4% | 50% of rent above 4% |
| | | | | | | | |
| | | | **Gross Incremental Cost of Program** | | | | |
| | | | **($ millions)** | | | | |
| | | | | | | | |
| | | **Current program estimates** | | | | | |
| Maximum Benefit | | | | | | | |
| 1,000 | Incremental cost | $28,702,423 | ($1.85) | ($5.07) | ($4.65) | ($8.27) | ($12.74) |
| | Additional Claimants | 69,953 | 514 | 3,835 | 8,819 | 17,448 | 26,299 |
| | Average refund | $410 | $434 | $458 | $423 | $428 | $431 |
| | | | | | | | |
| 1,500 | Incremental cost | ($8.53) | ($11.70) | ($16.92) | ($15.97) | ($20.31) | ($25.56) |
| | Additional Claimants | 822 | 4,582 | 10,622 | 14,373 | 22,320 | 31,262 |
| | Average refund | $526 | $542 | $566 | $530 | $531 | $536 |
| | | | | | | | |
| 2,000 | Incremental cost | ($16.38) | ($20.20) | ($26.27) | ($24.86) | ($29.59) | ($35.41) |
| | Additional Claimants | 4,811 | 8,922 | 15,486 | 18,381 | 26,054 | 34,823 |
| | Average refund | $603 | $620 | $643 | $606 | $607 | $612 |
| | | | | | | | |
| 3,000 | Incremental cost | ($27.05) | ($31.79) | ($39.00) | ($36.91) | ($42.10) | ($48.72) |
| | Additional Claimants | 9,796 | 14,348 | 21,556 | 23,415 | 30,764 | 39,353 |
| | Average refund | $699 | $718 | $740 | $703 | $703 | $708 |
| | | | | | | | |
| 5,000 | Incremental cost | ($36.64) | ($42.17) | ($50.37) | ($47.82) | ($53.54) | ($61.14) |
| | Additional Claimants | 13,923 | 18,824 | 26,550 | 27,659 | 34,799 | 43,337 |
| | Average refund | $779 | $798 | $819 | $784 | $785 | $793 |
| | | | | | | | |
| no max | Incremental cost | ($42.64) | ($49.29) | ($58.05) | ($55.82) | ($62.21) | ($71.19) |
| | Additional Claimants | 15,822 | 21,694 | 29,708 | 30,611 | 37,715 | 46,410 |
| | Average refund | $832 | $851 | $871 | $840 | $844 | $858 |
| | | | | | | | |
| Maine Revenue Services | | | | | | | |
| Economic Research Division | | | | | | | |

| *PRELIMINARY* | ACTUAL | | |
|---|---|---|---|
| | 2004 VALUATION | 2005 VALUATION | PERCENT CHANGE |
| ANDRSCGGN CNTY | 5,245,650,000 | 5,879,200,000 | 12.1% |
| AROOSTK CNTY | 2,886,950,000 | 3,002,900,000 | 4.0% |
| CUMBRLND CNTY | 26,458,600,000 | 30,301,350,000 | 14.5% |
| FRANKLIN CNTY | 2,584,600,000 | 2,807,600,000 | 8.6% |
| HANCOCK CNTY | 7,340,800,000 | 8,443,550,000 | 15.0% |
| KENNBC CNTY | 5,965,750,000 | 6,618,800,000 | 10.9% |
| KNOX CNTY | 4,582,000,000 | 5,347,200,000 | 16.7% |
| LINCLN CNTY | 4,574,150,000 | 5,626,700,000 | 23.0% |
| OXFRD CNTY | 4,135,150,000 | 4,603,500,000 | 11.3% |
| PENBSCT CNTY | 7,196,900,000 | 7,725,450,000 | 7.3% |
| PISCATQS CNTY | 942,500,000 | 1,043,350,000 | 10.7% |
| SAGADHC CNTY | 2,674,700,000 | 3,120,800,000 | 16.7% |
| SOMRST CNTY | 2,997,750,000 | 3,195,150,000 | 6.6% |
| WALDO CNTY | 2,876,600,000 | 3,148,400,000 | 9.4% |
| WASHNGTN CNTY | 1,989,400,000 | 2,183,020,000 | 9.7% |
| YORK CNTY | 19,555,900,000 | 22,623,450,000 | 15.7% |
| | 102,007,400,000 | 115,670,420,000 | 13.4% |

These are PRELIMINARY figures and may change.

ED 261 FY 2004-05 vs ED 281 FY 2005-06

| | Subsidy Year: | FY 2005 Operating Valuation (2002, 2003 & 2004 State Valuations) | FY 2005 Program Valuation (2003 & 2004 State Valuations) | FY 2006 Valuation (2004 State Valuation) | % Change Operating | % Change Program | FY 2005 Pupils 2003 Cal. Yr. Avg. | FY 2006 Pupils 2004 Cal. Yr. Avg. | % Change |
|---|---|---|---|---|---|---|---|---|---|
| 002 | ACTON | 318,116,667.00 | 338,375,000.00 | 372,250,000.00 | 17.02% | 10.01% | 438.50 | 442.50 | 0.91% |
| 005 | ALEXANDER | 25,550,000.00 | 26,075,000.00 | 26,850,000.00 | 5.09% | 2.97% | 89.50 | 84.50 | -5.59% |
| 008 | ALNA | 47,750,000.00 | 49,025,000.00 | 51,400,000.00 | 7.64% | 4.84% | 114.00 | 112.50 | -1.32% |
| 009 | ALTON | 25,366,667.00 | 26,225,000.00 | 27,700,000.00 | 9.20% | 5.62% | 141.00 | 134.00 | -4.96% |
| 014 | APPLETON | 42,124,040.00 | 44,200,808.00 | 45,791,130.00 | 8.71% | 3.60% | 139.00 | 136.50 | -1.80% |
| 015 | ARROWSIC | 50,533,333.00 | 54,075,000.00 | 58,900,000.00 | 16.56% | 8.92% | 64.50 | 70.50 | 9.30% |
| 016 | ARUNDEL | 232,216,667.00 | 250,125,000.00 | 272,350,000.00 | 17.28% | 8.89% | 630.00 | 649.50 | 3.10% |
| 020 | AUBURN | 1,253,833,333.00 | 1,316,775,000.00 | 1,350,550,000.00 | 7.71% | 2.56% | 3,627.00 | 3,546.00 | -2.23% |
| 021 | AUGUSTA | 943,533,333.00 | 959,200,000.00 | 990,400,000.00 | 4.97% | 3.25% | 2,503.00 | 2,464.50 | -1.54% |
| 024 | BAILEYVILLE | 355,850,000.00 | 353,925,000.00 | 355,850,000.00 | 0.00% | 0.54% | 294.50 | 286.50 | -2.72% |
| 026 | BANCROFT | 5,033,333.00 | 5,000,000.00 | 5,100,000.00 | 1.32% | 2.00% | 12.50 | 15.00 | 20.00% |
| 027 | BANGOR | 1,652,366,667.00 | 1,675,425,000.00 | 1,741,600,000.00 | 5.40% | 3.95% | 3,980.50 | 3,865.00 | -2.90% |
| 028 | BAR HARBOR | 487,308,910.00 | 529,621,400.00 | 577,701,250.00 | 18.55% | 9.08% | 435.50 | 429.50 | -1.38% |
| 030 | BATH | 597,950,000.00 | 622,500,000.00 | 650,000,000.00 | 8.70% | 4.42% | 1,344.00 | 1,309.00 | -2.60% |
| 031 | BEALS | 24,385,905.00 | 26,928,128.00 | 31,967,865.00 | 31.09% | 18.72% | 62.50 | 59.50 | -4.80% |
| 032 | BEDDINGTON | 15,500,000.00 | 16,175,000.00 | 17,150,000.00 | 10.65% | 6.03% | 2.50 | 2.00 | -20.00% |
| 040 | BIDDEFORD | 1,479,166,667.00 | 1,587,075,000.00 | 1,610,450,000.00 | 8.88% | 1.47% | 2,946.50 | 2,896.00 | -1.71% |
| 044 | BLUE HILL | 380,933,333.00 | 392,875,000.00 | 413,050,000.00 | 8.43% | 5.14% | 331.00 | 341.00 | 3.02% |
| 049 | BOWERBANK | 33,033,333.00 | 34,625,000.00 | 36,600,000.00 | 10.80% | 5.70% | 7.00 | 6.50 | -7.14% |
| 051 | BRADLEY | 54,683,333.00 | 57,250,000.00 | 59,850,000.00 | 9.45% | 4.54% | 213.00 | 213.50 | 0.23% |
| 052 | BREMEN | 38,298,150.00 | 39,530,700.00 | 41,509,155.00 | 8.38% | 5.00% | 30.00 | 32.50 | 8.33% |
| 053 | BREWER | 492,716,667.00 | 500,100,000.00 | 501,600,000.00 | 1.80% | 0.30% | 1,385.50 | 1,376.50 | -0.65% |
| 054 | BRIDGEWATER | 22,350,000.00 | 23,200,000.00 | 25,300,000.00 | 13.20% | 9.05% | 76.00 | 68.00 | -10.53% |
| 057 | BRISTOL | 572,316,667.00 | 626,650,000.00 | 654,850,000.00 | 14.42% | 4.50% | 379.50 | 377.00 | -0.66% |
| 058 | BROOKLIN | 196,350,000.00 | 211,800,000.00 | 227,750,000.00 | 15.99% | 7.53% | 106.50 | 107.00 | 0.47% |
| 060 | BROOKSVILLE | 200,000,000.00 | 215,700,000.00 | 224,250,000.00 | 12.13% | 3.96% | 126.00 | 124.50 | -1.19% |
| 063 | BRUNSWICK | 1,309,916,667.00 | 1,371,900,000.00 | 1,431,150,000.00 | 9.26% | 4.32% | 3,150.00 | 3,157.50 | 0.24% |
| 065 | BUCKSPORT | 480,900,000.00 | 484,925,000.00 | 500,000,000.00 | 3.97% | 3.11% | 873.50 | 856.00 | -2.00% |
| 070 | CALAIS | 127,033,333.00 | 129,900,000.00 | 135,850,000.00 | 6.94% | 4.58% | 567.50 | 567.50 | 0.00% |
| 075 | CAPE ELIZABETH | 1,063,133,333.00 | 1,135,625,000.00 | 1,217,450,000.00 | 14.52% | 7.21% | 1,796.50 | 1,816.50 | 1.11% |
| 077 | CARIBOU | 260,716,667.00 | 264,500,000.00 | 268,700,000.00 | 3.06% | 1.59% | 1,470.00 | 1,494.50 | 1.67% |
| 079 | CARROLL PLT. | 9,983,333.00 | 9,975,000.00 | 10,350,000.00 | 3.67% | 3.76% | 17.00 | 17.50 | 2.94% |
| 083 | CASTINE | 178,533,333.00 | 190,725,000.00 | 211,750,000.00 | 18.61% | 11.02% | 79.00 | 83.00 | 5.06% |
| 085 | CASWELL | 12,116,667.00 | 12,525,000.00 | 12,800,000.00 | 5.64% | 2.20% | 65.00 | 57.50 | -11.54% |
| 089 | CHARLOTTE | 16,316,667.00 | 17,175,000.00 | 17,600,000.00 | 7.87% | 2.47% | 64.50 | 58.00 | -10.08% |
| 090 | CHELSEA | 90,683,333.00 | 93,475,000.00 | 98,100,000.00 | 8.18% | 4.95% | 457.50 | 440.00 | -3.83% |
| 094 | CHINA | 204,233,333.00 | 210,325,000.00 | 218,150,000.00 | 6.81% | 3.72% | 854.50 | 837.00 | -2.05% |
| 100 | COOPER | 13,316,667.00 | 13,950,000.00 | 14,650,000.00 | 10.01% | 5.02% | 29.50 | 28.50 | -3.39% |
| 101 | COPLIN PLT. | 14,900,000.00 | 15,350,000.00 | 16,050,000.00 | 7.72% | 4.56% | 19.00 | 17.00 | -10.53% |
| 106 | CRANBERRY ISLES | 117,583,333.00 | 125,325,000.00 | 129,900,000.00 | 10.47% | 3.65% | 20.50 | 17.00 | -17.07% |
| 107 | CRAWFORD | 7,883,333.00 | 8,050,000.00 | 8,250,000.00 | 4.65% | 2.48% | 15.50 | 14.50 | -6.45% |
| 113 | DALLAS PLT. | 49,900,000.00 | 52,125,000.00 | 55,950,000.00 | 12.12% | 7.34% | 30.50 | 32.00 | 4.92% |
| 114 | DAMARISCOTTA | 72,276,703.00 | 76,294,575.00 | 80,023,680.00 | 10.72% | 4.89% | 96.00 | 97.50 | 1.56% |
| 116 | DAYTON | 107,300,000.00 | 115,325,000.00 | 125,950,000.00 | 17.38% | 9.21% | 392.00 | 405.00 | 3.32% |
| 117 | DEBLOIS | 26,083,333.00 | 26,550,000.00 | 27,150,000.00 | 4.09% | 2.26% | 13.00 | 12.00 | -7.69% |
| 118 | DEDHAM | 130,166,667.00 | 138,900,000.00 | 149,750,000.00 | 15.04% | 7.81% | 272.50 | 264.00 | -3.12% |
| 121 | DENNISTOWN PLT. | 5,733,333.00 | 5,850,000.00 | 6,100,000.00 | 6.40% | 4.27% | 3.50 | 4.00 | 14.29% |

ED 261 FY 2004-05 vs ED 281 FY 2005-06

| | Subsidy Year: | FY 2005 Operating Valuation (2002, 2003 & 2004 State Valuations) | FY 2005 Program Valuation (2003 & 2004 State Valuations) | FY 2006 Valuation (2004 State Valuation) | % Change Operating | % Change Program | FY 2005 Pupils 2003 Cal. Yr. Avg. | FY 2006 Pupils 2004 Cal. Yr. Avg. | % Change |
|---|---|---|---|---|---|---|---|---|---|
| 122 | DENNYSVILLE | 9,633,333.00 | 9,925,000.00 | 10,600,000.00 | 10.03% | 6.80% | 56.00 | 57.00 | 1.79% |
| 128 | DRESDEN | 75,833,333.00 | 79,800,000.00 | 84,650,000.00 | 11.63% | 6.08% | 275.00 | 265.00 | -3.64% |
| 129 | DREW PLT. | 4,666,667.00 | 4,700,000.00 | 4,800,000.00 | 2.86% | 2.13% | 9.00 | 9.00 | 0.00% |
| 130 | DURHAM | 187,083,333.00 | 199,400,000.00 | 214,850,000.00 | 14.84% | 7.75% | 622.00 | 613.00 | -1.45% |
| 136 | EAST MILLINOCKET | 215,100,000.00 | 231,400,000.00 | 215,100,000.00 | 0.00% | -7.04% | 319.50 | 311.00 | -2.66% |
| 137 | EASTON | 95,550,000.00 | 101,275,000.00 | 105,000,000.00 | 9.89% | 3.68% | 223.00 | 224.50 | 0.67% |
| 138 | EASTPORT | 71,950,000.00 | 73,475,000.00 | 74,950,000.00 | 4.17% | 2.01% | 219.00 | 201.50 | -7.99% |
| 140 | EDGECOMB | 117,550,000.00 | 125,100,000.00 | 133,400,000.00 | 13.48% | 6.63% | 171.50 | 170.50 | -0.58% |
| 144 | ELLSWORTH | 537,200,000.00 | 552,200,000.00 | 562,350,000.00 | 4.68% | 1.84% | 1,041.00 | 1,061.50 | 1.97% |
| 151 | FALMOUTH | 1,279,700,000.00 | 1,365,675,000.00 | 1,453,200,000.00 | 13.56% | 6.41% | 2,159.00 | 2,167.00 | 0.37% |
| 154 | FAYETTE | 76,516,667.00 | 80,700,000.00 | 84,400,000.00 | 10.30% | 4.58% | 160.00 | 160.00 | 0.00% |
| 158 | FRANKLIN | 55,592,550.00 | 56,433,200.00 | 54,220,320.00 | -2.47% | -3.92% | 153.50 | 140.00 | -8.79% |
| 160 | FREEPORT | 986,900,000.00 | 1,032,825,000.00 | 1,044,100,000.00 | 5.80% | 1.09% | 1,252.50 | 1,241.50 | -0.88% |
| 167 | GEORGETOWN | 208,633,333.00 | 227,175,000.00 | 251,650,000.00 | 20.62% | 10.77% | 149.00 | 141.50 | -5.03% |
| 168 | GILEAD | 22,083,333.00 | 22,400,000.00 | 22,950,000.00 | 3.92% | 2.46% | 33.50 | 32.00 | -4.48% |
| 169 | GLENBURN | 141,516,667.00 | 147,525,000.00 | 156,000,000.00 | 10.23% | 5.74% | 745.00 | 724.50 | -2.75% |
| 170 | GLENWOOD PLT. | 3,850,000.00 | 3,850,000.00 | 3,850,000.00 | 0.00% | 0.00% | - | - | #DIV/0! |
| 171 | GORHAM | 829,716,667.00 | 886,250,000.00 | 937,300,000.00 | 12.97% | 5.76% | 2,735.50 | 2,761.50 | 0.95% |
| 174 | GRAND ISLE | 12,983,333.00 | 13,025,000.00 | 13,050,000.00 | 0.51% | 0.19% | 75.50 | 71.00 | -5.96% |
| 175 | GR. LAKE STREAM PLT. | 17,100,000.00 | 17,625,000.00 | 18,450,000.00 | 7.89% | 4.68% | 8.50 | 10.00 | 17.65% |
| 177 | GREENBUSH | 41,866,667.00 | 42,525,000.00 | 43,400,000.00 | 3.66% | 2.06% | 281.00 | 280.50 | -0.18% |
| 180 | GREENVILLE | 142,566,667.00 | 149,475,000.00 | 154,300,000.00 | 8.23% | 3.23% | 251.00 | 228.00 | -9.16% |
| 187 | HANCOCK | 167,083,333.00 | 172,550,000.00 | 177,550,000.00 | 6.26% | 2.90% | 353.00 | 339.00 | -3.97% |
| 188 | HANOVER | 19,500,000.00 | 19,825,000.00 | 20,200,000.00 | 3.59% | 1.89% | 45.50 | 49.00 | 7.69% |
| 189 | HARMONY | 31,450,000.00 | 33,050,000.00 | 35,550,000.00 | 13.04% | 7.56% | 131.50 | 124.50 | -5.32% |
| 197 | HERMON | 256,383,333.00 | 262,975,000.00 | 275,200,000.00 | 7.34% | 4.65% | 837.00 | 856.00 | 2.27% |
| 198 | HERSEY | 5,850,000.00 | 5,800,000.00 | 6,150,000.00 | 5.13% | 6.03% | 6.50 | 6.50 | 0.00% |
| 199 | HIGHLAND PLT. | 5,666,667.00 | 5,675,000.00 | 5,950,000.00 | 5.00% | 4.85% | 8.50 | 7.50 | -11.76% |
| 204 | HOPE | 62,810,530.00 | 67,124,720.00 | 74,203,710.00 | 18.14% | 10.55% | 160.00 | 158.00 | -1.25% |
| 210 | ISLE AU HAUT | 30,200,000.00 | 32,625,000.00 | 34,750,000.00 | 15.07% | 6.51% | 11.50 | 11.50 | 0.00% |
| 211 | ISLESBORO | 296,766,667.00 | 317,075,000.00 | 331,050,000.00 | 11.55% | 4.41% | 80.50 | 72.50 | -9.94% |
| 214 | JAY | 762,183,333.00 | 774,075,000.00 | 794,700,000.00 | 4.27% | 2.66% | 922.00 | 866.00 | -6.07% |
| 215 | JEFFERSON | 195,233,333.00 | 209,850,000.00 | 225,900,000.00 | 15.71% | 7.65% | 382.00 | 355.50 | -6.94% |
| 216 | JONESBORO | 38,550,000.00 | 38,875,000.00 | 38,550,000.00 | 0.00% | -0.84% | 104.00 | 102.00 | -1.92% |
| 217 | JONESPORT | 53,780,740.00 | 56,420,390.00 | 58,780,960.00 | 9.30% | 4.18% | 141.00 | 129.00 | -8.51% |
| 222 | KINGSBURY PLT. | 7,083,333.00 | 7,175,000.00 | 7,500,000.00 | 5.88% | 4.53% | - | - | #DIV/0! |
| 223 | KITTERY | 1,034,866,667.00 | 1,126,900,000.00 | 1,204,700,000.00 | 16.41% | 6.90% | 1,167.50 | 1,150.50 | -1.46% |
| 226 | LAKE VIEW PLT. | 38,150,000.00 | 40,225,000.00 | 43,700,000.00 | 14.55% | 8.64% | 6.00 | 6.00 | 0.00% |
| 227 | LAKEVILLE | 29,016,667.00 | 30,375,000.00 | 34,500,000.00 | 18.90% | 13.58% | 8.00 | 9.50 | 18.75% |
| 228 | LAMOINE | 129,050,000.00 | 137,200,000.00 | 144,450,000.00 | 11.93% | 5.28% | 229.50 | 225.50 | -1.74% |
| 233 | LEWISTON | 1,483,800,000.00 | 1,537,925,000.00 | 1,589,800,000.00 | 7.14% | 3.37% | 4,575.00 | 4,568.50 | -0.14% |
| 236 | LIMESTONE | 46,866,667.00 | 47,825,000.00 | 50,400,000.00 | 7.54% | 5.38% | 349.00 | 344.00 | -1.43% |
| 239 | LINCOLN PLT. | 21,583,333.00 | 22,025,000.00 | 22,600,000.00 | 4.71% | 2.61% | 3.00 | 2.00 | -33.33% |
| 240 | LINCOLNVILLE | 137,325,440.00 | 145,573,120.00 | 151,492,430.00 | 10.32% | 4.07% | 209.50 | 207.00 | -1.19% |
| 242 | LISBON | 353,233,333.00 | 367,600,000.00 | 381,500,000.00 | 8.00% | 3.78% | 1,403.50 | 1,416.00 | 0.89% |
| 243 | LITCHFIELD | 108,359,787.00 | 112,945,880.00 | 118,915,425.00 | 9.74% | 5.29% | 435.50 | 414.50 | -4.82% |
| 247 | FRENCHBORO | 7,466,667.00 | 7,775,000.00 | 8,250,000.00 | 10.49% | 6.11% | 4.00 | 5.50 | 37.50% |

ED 261 FY 2004-05 vs ED 281 FY 2005-06

| | Subsidy Year: | FY 2005 Operating Valuation (2002, 2003 & 2004 State Valuations) | FY 2005 Program Valuation (2003 & 2004 State Valuations) | FY 2006 Valuation (2004 State Valuation) | % Change Operating | % Change Program | FY 2005 Pupils 2003 Cal. Yr. Avg. | FY 2006 Pupils 2004 Cal. Yr. Avg. | % Change |
|---|---|---|---|---|---|---|---|---|---|
| 253 | MACHIAS | 86,466,667.00 | 88,500,000.00 | 92,450,000.00 | 6.92% | 4.46% | 253.00 | 251.00 | -0.79% |
| 255 | MACWAHOC PLT. | 6,400,000.00 | 6,375,000.00 | 6,400,000.00 | 0.00% | 0.39% | 13.00 | 12.50 | -3.85% |
| 256 | MADAWASKA | 357,950,000.00 | 358,550,000.00 | 357,950,000.00 | 0.00% | -0.17% | 708.00 | 683.00 | -3.53% |
| 259 | MAGALLOWAY PLT. | 9,450,000.00 | 10,025,000.00 | 11,350,000.00 | 20.11% | 13.22% | 2.00 | 2.50 | 25.00% |
| 260 | MANCHESTER | 70,055,142.00 | 72,856,623.00 | 73,481,950.00 | 4.89% | 0.86% | 200.50 | 196.00 | -2.24% |
| 262 | MARIAVILLE | 31,500,000.00 | 32,825,000.00 | 35,200,000.00 | 11.75% | 7.24% | 78.50 | 74.00 | -5.73% |
| 263 | MARSHFIELD | 22,650,000.00 | 23,325,000.00 | 24,000,000.00 | 5.96% | 2.89% | 74.50 | 72.50 | -2.68% |
| 269 | MECHANIC FALLS | 97,500,000.00 | 99,625,000.00 | 105,800,000.00 | 8.51% | 6.20% | 540.50 | 533.00 | -1.39% |
| 270 | MEDDYBEMPS | 11,516,667.00 | 12,100,000.00 | 12,950,000.00 | 12.45% | 7.02% | 19.00 | 19.50 | 2.63% |
| 271 | MEDWAY | 52,700,000.00 | 54,125,000.00 | 55,700,000.00 | 5.69% | 2.91% | 252.00 | 251.50 | -0.20% |
| 276 | MILFORD | 119,216,667.00 | 122,375,000.00 | 124,000,000.00 | 4.01% | 1.33% | 502.00 | 476.50 | -5.08% |
| 277 | MILLINOCKET | 281,200,000.00 | 287,100,000.00 | 293,950,000.00 | 4.53% | 2.39% | 802.50 | 733.50 | -8.60% |
| 279 | MINOT | 107,166,667.00 | 115,300,000.00 | 122,700,000.00 | 14.49% | 6.42% | 425.00 | 427.00 | 0.47% |
| 280 | MONHEGAN PLT. | 39,066,667.00 | 41,050,000.00 | 43,650,000.00 | 11.73% | 6.33% | 6.50 | 8.00 | 23.08% |
| 281 | MONMOUTH | 194,500,000.00 | 204,525,000.00 | 221,350,000.00 | 13.80% | 8.23% | 795.00 | 770.00 | -3.14% |
| 287 | MORO PLT. | 6,266,667.00 | 6,250,000.00 | 6,500,000.00 | 3.72% | 4.00% | 6.00 | 5.00 | -16.67% |
| 291 | MOUNT DESERT | 525,836,303.00 | 546,295,560.00 | 564,086,395.00 | 7.27% | 3.26% | 179.50 | 161.00 | -10.31% |
| 292 | MOUNT VERNON | 47,470,568.00 | 50,110,973.00 | 51,559,495.00 | 8.61% | 2.89% | 122.50 | 116.50 | -4.90% |
| 294 | NASHVILLE PLT. | 21,033,333.00 | 21,775,000.00 | 21,600,000.00 | 2.69% | -0.80% | 14.50 | 16.50 | 13.79% |
| 297 | NEWCASTLE | 63,299,250.00 | 65,620,223.00 | 71,868,960.00 | 13.54% | 9.52% | 107.50 | 109.00 | 1.40% |
| 305 | NEW SWEDEN | 21,150,000.00 | 21,650,000.00 | 22,600,000.00 | 6.86% | 4.39% | 101.50 | 88.50 | -12.81% |
| 307 | NOBLEBORO | 157,233,333.00 | 167,575,000.00 | 175,050,000.00 | 11.33% | 4.46% | 291.50 | 266.00 | -8.75% |
| 310 | NORTHFIELD | 17,266,667.00 | 18,275,000.00 | 19,150,000.00 | 10.91% | 4.79% | 9.50 | 12.00 | 26.32% |
| 320 | OLD ORCHARD BEACH | 702,450,000.00 | 741,875,000.00 | 786,450,000.00 | 11.96% | 6.01% | 1,094.50 | 1,037.50 | -5.21% |
| 321 | OLD TOWN | 415,350,000.00 | 421,975,000.00 | 430,100,000.00 | 3.55% | 1.93% | 1,091.00 | 1,064.00 | -2.47% |
| 322 | ORIENT | 23,600,000.00 | 24,275,000.00 | 24,500,000.00 | 3.81% | 0.93% | 17.00 | 12.00 | -29.41% |
| 323 | ORLAND | 128,633,333.00 | 133,475,000.00 | 138,050,000.00 | 7.32% | 3.43% | 330.50 | 318.50 | -3.63% |
| 324 | ORONO | 245,900,000.00 | 256,450,000.00 | 269,550,000.00 | 9.62% | 5.11% | 670.00 | 649.50 | -3.06% |
| 325 | ORRINGTON | 220,216,667.00 | 221,050,000.00 | 230,900,000.00 | 4.85% | 4.46% | 615.00 | 602.00 | -2.11% |
| 327 | OTIS | 59,600,000.00 | 63,275,000.00 | 67,350,000.00 | 13.00% | 6.44% | 90.50 | 90.00 | -0.55% |
| 332 | PALERMO | 81,183,333.00 | 86,975,000.00 | 91,800,000.00 | 13.08% | 5.55% | 232.50 | 238.00 | 2.37% |
| 339 | PEMBROKE | 37,383,333.00 | 38,500,000.00 | 39,800,000.00 | 6.46% | 3.38% | 140.50 | 148.50 | 5.69% |
| 340 | PENOBSCOT | 88,733,333.00 | 93,275,000.00 | 99,650,000.00 | 12.30% | 6.83% | 137.50 | 130.50 | -5.09% |
| 342 | PERRY | 40,583,333.00 | 41,700,000.00 | 43,100,000.00 | 6.20% | 3.36% | 145.00 | 154.50 | 6.55% |
| 345 | PHIPPSBURG | 274,716,667.00 | 288,600,000.00 | 312,400,000.00 | 13.72% | 8.25% | 327.50 | 306.00 | -6.56% |
| 348 | PLEASANT RIDGE PLT. | 36,916,667.00 | 38,750,000.00 | 45,600,000.00 | 23.52% | 17.68% | 10.50 | 10.00 | -4.76% |
| 350 | POLAND | 353,583,333.00 | 374,200,000.00 | 400,450,000.00 | 13.25% | 7.01% | 867.00 | 858.00 | -1.04% |
| 353 | PORTLAND | 4,916,966,667.00 | 5,222,875,000.00 | 5,501,100,000.00 | 11.88% | 5.33% | 7,522.00 | 7,398.00 | -1.65% |
| 355 | LONG ISLAND | 55,983,333.00 | 59,800,000.00 | 62,900,000.00 | 12.35% | 5.18% | 37.00 | 33.00 | -10.81% |
| 357 | PRINCETON | 32,966,667.00 | 33,325,000.00 | 33,550,000.00 | 1.77% | 0.68% | 166.50 | 159.00 | -4.50% |
| 360 | RANGELEY | 238,283,333.00 | 245,800,000.00 | 265,600,000.00 | 11.46% | 8.06% | 168.00 | 155.50 | -7.44% |
| 361 | RANGELEY PLT. | 96,666,667.00 | 101,225,000.00 | 106,200,000.00 | 9.86% | 4.91% | 15.50 | 19.00 | 22.58% |
| 362 | RAYMOND | 529,550,000.00 | 567,250,000.00 | 610,350,000.00 | 15.26% | 7.60% | 826.00 | 834.50 | 1.03% |
| 363 | READFIELD | 61,766,108.00 | 64,361,080.00 | 67,335,030.00 | 9.02% | 4.62% | 211.00 | 226.50 | 7.35% |
| 364 | REED PLT. | 9,900,000.00 | 9,675,000.00 | 9,900,000.00 | 0.00% | 2.33% | 30.50 | 28.50 | -6.56% |
| 365 | RICHMOND | 154,233,333.00 | 157,800,000.00 | 162,350,000.00 | 5.26% | 2.88% | 609.00 | 595.00 | -2.30% |
| 367 | ROBBINSTON | 23,316,667.00 | 24,450,000.00 | 26,600,000.00 | 14.08% | 8.79% | 98.50 | 88.50 | -10.15% |

ED 261 FY 2004-05 vs ED 281 FY 2005-06

| | Subsidy Year: | FY 2005 Operating Valuation (2002, 2003 & 2004 State Valuations) | FY 2005 Program Valuation (2003 & 2004 State Valuations) | FY 2006 Valuation (2004 State Valuation) | % Change Operating | % Change Program | FY 2005 Pupils 2003 Cal. Yr. Avg. | FY 2006 Pupils 2004 Cal. Yr. Avg. | % Change |
|---|---|---|---|---|---|---|---|---|---|
| 370 | ROME | 139,883,333.00 | 147,275,000.00 | 155,500,000.00 | 11.16% | 5.58% | 171.00 | 164.00 | -4.09% |
| 371 | ROQUE BLUFFS | 31,516,667.00 | 33,675,000.00 | 36,200,000.00 | 14.86% | 7.50% | 25.50 | 26.50 | 3.92% |
| 374 | SACO | 1,159,083,333.00 | 1,233,000,000.00 | 1,310,350,000.00 | 13.05% | 6.27% | 2,845.00 | 2,799.50 | -1.60% |
| 380 | SANDY RIVER PLT. | 36,550,000.00 | 38,875,000.00 | 40,500,000.00 | 10.81% | 4.18% | 14.00 | 11.50 | -17.86% |
| 381 | SANFORD | 960,200,000.00 | 1,013,075,000.00 | 1,054,350,000.00 | 9.81% | 4.07% | 3,734.00 | 3,643.50 | -2.42% |
| 383 | SCARBOROUGH | 1,864,933,333.00 | 2,011,550,000.00 | 2,158,300,000.00 | 15.73% | 7.30% | 3,230.50 | 3,271.00 | 1.25% |
| 388 | SEBOEIS PLT *see note | 5,900,000.00 | 6,050,000.00 | 6,150,000.00 | 4.24% | 1.65% | 5.50 | 3.50 | -36.36% |
| 389 | SEDGWICK | 107,916,667.00 | 113,925,000.00 | 123,600,000.00 | 14.53% | 8.49% | 184.50 | 176.50 | -4.34% |
| 392 | SHIRLEY | 15,200,000.00 | 15,325,000.00 | 15,900,000.00 | 4.61% | 3.75% | 15.50 | 16.50 | 6.45% |
| 398 | SOMERVILLE | 29,533,333.00 | 30,175,000.00 | 31,150,000.00 | 5.47% | 3.23% | 82.50 | 78.50 | -4.85% |
| 401 | SOUTH BRISTOL | 290,366,667.00 | 305,725,000.00 | 329,250,000.00 | 13.39% | 7.69% | 106.50 | 107.50 | 0.94% |
| 402 | SOUTHPORT | 317,166,667.00 | 351,575,000.00 | 379,600,000.00 | 19.68% | 7.97% | 74.00 | 72.00 | -2.70% |
| 403 | SOUTH PORTLAND | 2,415,983,333.00 | 2,559,525,000.00 | 2,681,800,000.00 | 11.00% | 4.78% | 3,158.00 | 3,068.00 | -2.85% |
| 405 | SOUTHWEST HARBOR | 246,637,620.00 | 258,017,333.00 | 283,597,000.00 | 14.99% | 9.91% | 215.50 | 221.00 | 2.55% |
| 411 | STEUBEN | 53,474,848.00 | 57,317,935.00 | 59,379,060.00 | 11.04% | 3.60% | 125.50 | 124.50 | -0.80% |
| 412 | STOCKHOLM | 11,033,333.00 | 11,150,000.00 | 11,150,000.00 | 1.06% | 0.00% | 42.50 | 42.00 | -1.18% |
| 420 | SURRY | 166,900,000.00 | 175,600,000.00 | 185,850,000.00 | 11.35% | 5.84% | 214.50 | 216.00 | 0.70% |
| 424 | TALMADGE | 3,850,000.00 | 3,775,000.00 | 3,850,000.00 | 0.00% | 1.99% | 11.50 | 10.00 | -13.04% |
| 426 | THE FORKS | 18,133,333.00 | 18,800,000.00 | 20,100,000.00 | 10.85% | 6.91% | 3.50 | 3.00 | -14.29% |
| 430 | TREMONT | 150,367,720.00 | 161,908,510.00 | 165,227,255.00 | 9.88% | 2.05% | 163.00 | 158.00 | -3.07% |
| 431 | TRENTON | 151,816,667.00 | 162,550,000.00 | 171,200,000.00 | 12.77% | 5.32% | 238.00 | 239.00 | 0.42% |
| 436 | UPTON | 12,183,333.00 | 12,325,000.00 | 12,600,000.00 | 3.42% | 2.23% | 8.00 | 7.50 | -6.25% |
| 438 | VANCEBORO | 6,983,333.00 | 7,300,000.00 | 7,600,000.00 | 8.83% | 4.11% | 27.00 | 33.00 | 22.22% |
| 439 | VASSALBORO | 163,216,667.00 | 169,875,000.00 | 175,900,000.00 | 7.77% | 3.55% | 809.50 | 796.00 | -1.67% |
| 440 | VEAZIE | 163,766,667.00 | 186,625,000.00 | 199,100,000.00 | 21.58% | 6.68% | 304.50 | 295.00 | -3.12% |
| 445 | WAITE | 6,100,000.00 | 6,050,000.00 | 6,100,000.00 | 0.00% | 0.83% | 25.00 | 21.00 | -16.00% |
| 448 | WALES | 35,961,480.00 | 37,164,780.00 | 37,301,865.00 | 3.73% | 0.37% | 186.00 | 187.00 | 0.54% |
| 456 | WATERVILLE | 553,866,667.00 | 562,325,000.00 | 571,050,000.00 | 3.10% | 1.55% | 1,879.50 | 1,948.50 | 3.67% |
| 457 | WAYNE | 35,212,425.00 | 36,317,633.00 | 37,614,975.00 | 6.82% | 3.57% | 67.00 | 62.00 | -7.46% |
| 458 | SABATTUS | 109,657,917.00 | 113,986,375.00 | 118,942,720.00 | 8.47% | 4.35% | 533.50 | 517.50 | -3.00% |
| 463 | WESLEY | 12,300,000.00 | 12,550,000.00 | 12,850,000.00 | 4.47% | 2.39% | 17.50 | 14.50 | -17.14% |
| 464 | WEST BATH | 167,083,333.00 | 179,450,000.00 | 187,550,000.00 | 12.25% | 4.51% | 284.00 | 286.00 | 0.70% |
| 465 | WESTBROOK | 1,154,950,000.00 | 1,201,925,000.00 | 1,256,800,000.00 | 8.82% | 4.57% | 2,714.50 | 2,649.00 | -2.41% |
| 467 | WEST FORKS | 11,316,667.00 | 11,400,000.00 | 11,750,000.00 | 3.83% | 3.07% | 3.00 | 3.00 | 0.00% |
| 469 | WESTMANLAND | 8,400,000.00 | 8,525,000.00 | 8,650,000.00 | 2.98% | 1.47% | 2.00 | 2.50 | 25.00% |
| 472 | WESTPORT | 108,000,000.00 | 113,300,000.00 | 119,150,000.00 | 10.32% | 5.16% | 123.00 | 114.50 | -6.91% |
| 473 | WHITEFIELD | 108,733,333.00 | 110,500,000.00 | 113,150,000.00 | 4.06% | 2.40% | 401.00 | 386.50 | -3.62% |
| 475 | WHITNEYVILLE | 7,450,000.00 | 7,575,000.00 | 7,800,000.00 | 4.70% | 2.97% | 38.00 | 39.50 | 3.95% |
| 476 | WILLIMANTIC | 27,383,333.00 | 28,750,000.00 | 31,200,000.00 | 13.94% | 8.52% | 21.00 | 14.00 | -33.33% |
| 478 | WINDHAM | 1,010,866,667.00 | 1,069,425,000.00 | 1,129,200,000.00 | 11.71% | 5.59% | 2,695.00 | 2,700.00 | 0.19% |
| 479 | WINDSOR | 101,500,000.00 | 101,050,000.00 | 104,700,000.00 | 3.15% | 3.61% | 435.50 | 439.00 | 0.80% |
| 481 | WINSLOW | 344,700,000.00 | 353,900,000.00 | 365,850,000.00 | 6.14% | 3.38% | 1,358.00 | 1,345.00 | -0.96% |
| 485 | WINTHROP | 325,800,000.00 | 332,625,000.00 | 342,250,000.00 | 5.05% | 2.89% | 947.50 | 926.50 | -2.22% |
| 486 | WISCASSET | 276,750,000.00 | 265,675,000.00 | 276,750,000.00 | 0.00% | 4.17% | 618.00 | 619.00 | 0.16% |
| 487 | WOODLAND | 29,733,333.00 | 30,650,000.00 | 31,100,000.00 | 4.60% | 1.47% | 227.00 | 214.00 | -5.73% |
| 489 | WOODVILLE | 11,600,000.00 | 11,850,000.00 | 11,600,000.00 | 0.00% | -2.11% | 58.50 | 51.50 | -11.97% |
| 490 | WOOLWICH | 190,750,000.00 | 205,900,000.00 | 229,550,000.00 | 20.34% | 11.49% | 495.50 | 503.00 | 1.51% |

ED 261 FY 2004-05 vs ED 281 FY 2005-06

| | Subsidy Year: | FY 2005 Operating Valuation (2002, 2003 & 2004 State Valuations) | FY 2005 Program Valuation (2003 & 2004 State Valuations) | FY 2006 Valuation (2004 State Valuation) | % Change Operating | % Change Program | FY 2005 Pupils 2003 Cal. Yr. Avg. | FY 2006 Pupils 2004 Cal. Yr. Avg. | % Change |
|---|---|---|---|---|---|---|---|---|---|
| 491 | YARMOUTH | 1,044,766,667.00 | 1,092,050,000.00 | 1,141,000,000.00 | 9.21% | 4.48% | 1,442.00 | 1,422.50 | -1.35% |
| 492 | YORK | 2,378,683,333.00 | 2,577,075,000.00 | 2,709,650,000.00 | 13.91% | 5.14% | 2,152.00 | 2,141.00 | -0.51% |
| 493 | BARING PLT. | 9,500,000.00 | 9,625,000.00 | 9,550,000.00 | 0.53% | -0.78% | 35.00 | 37.50 | 7.14% |
| 495 | MEDFORD | 10,916,667.00 | 11,225,000.00 | 11,200,000.00 | 2.60% | -0.22% | 45.00 | 36.00 | -20.00% |
| 496 | CARRABASSETT VALLEY | 268,566,667.00 | 281,300,000.00 | 294,200,000.00 | 9.54% | 4.59% | 74.00 | 80.50 | 8.78% |
| 497 | BEAVER COVE | 33,800,000.00 | 35,025,000.00 | 37,200,000.00 | 10.06% | 6.21% | 5.00 | 6.50 | 30.00% |
| 501 | SAD #1 PRESQUE ISLE | 471,933,333.00 | 476,350,000.00 | 483,050,000.00 | 2.36% | 1.41% | 2,140.50 | 2,111.00 | -1.38% |
| 503 | SAD #3 THORNDIKE | 440,349,999.00 | 453,625,000.00 | 469,550,000.00 | 6.63% | 3.51% | 1,619.50 | 1,584.00 | -2.19% |
| 504 | SAD #4 GUILFORD | 244,866,667.00 | 250,725,000.00 | 257,350,000.00 | 5.10% | 2.64% | 852.00 | 841.50 | -1.23% |
| 505 | SAD #5 ROCKLAND | 792,700,000.00 | 838,975,000.00 | 898,250,000.00 | 13.32% | 7.07% | 1,504.00 | 1,453.00 | -3.39% |
| 506 | SAD #6 BUXTON | 1,421,816,667.00 | 1,508,025,000.00 | 1,639,250,000.00 | 15.29% | 8.70% | 4,035.50 | 4,010.00 | -0.63% |
| 507 | SAD #7 NORTH HAVEN | 197,300,000.00 | 203,275,000.00 | 212,400,000.00 | 7.65% | 4.49% | 72.50 | 61.50 | -15.17% |
| 508 | SAD #8 VINALHAVEN | 277,300,000.00 | 296,950,000.00 | 308,450,000.00 | 11.23% | 3.87% | 214.50 | 211.00 | -1.63% |
| 509 | SAD #9 FARMINGTON | 724,183,334.00 | 744,075,000.00 | 772,500,000.00 | 6.67% | 3.82% | 2,652.00 | 2,586.00 | -2.49% |
| 510 | SAD #10 ALLAGASH | 21,916,667.00 | 22,000,000.00 | 22,150,000.00 | 1.06% | 0.68% | 26.50 | 24.00 | -9.43% |
| 511 | SAD #11 GARDINER | 483,300,000.00 | 497,275,000.00 | 518,150,000.00 | 7.21% | 4.20% | 2,302.50 | 2,263.50 | -1.69% |
| 512 | SAD #12 JACKMAN | 66,066,667.00 | 67,675,000.00 | 69,250,000.00 | 4.82% | 2.33% | 179.00 | 175.50 | -1.96% |
| 513 | SAD #13 BINGHAM | 97,800,000.00 | 102,975,000.00 | 103,950,000.00 | 6.29% | 0.95% | 311.50 | 289.00 | -7.22% |
| 514 | SAD #14 DANFORTH | 48,800,000.00 | 50,550,000.00 | 52,400,000.00 | 7.38% | 3.66% | 153.00 | 142.50 | -6.86% |
| 515 | SAD #15 GRAY | 725,350,000.00 | 768,975,000.00 | 823,850,000.00 | 13.58% | 7.14% | 2,034.50 | 2,019.50 | -0.74% |
| 516 | SAD #16 HALLOWELL | 239,333,333.00 | 241,200,000.00 | 247,500,000.00 | 3.41% | 2.61% | 858.00 | 832.50 | -2.97% |
| 517 | SAD #17 NORWAY | 1,323,733,332.00 | 1,390,550,000.00 | 1,455,850,000.00 | 9.98% | 4.70% | 3,687.00 | 3,666.50 | -0.56% |
| 518 | SAD #18 PROSPECT | 53,000,000.00 | 55,775,000.00 | 60,000,000.00 | 13.21% | 7.58% | 180.00 | 177.50 | -1.39% |
| 519 | SAD #19 LUBEC | 81,900,000.00 | 85,700,000.00 | 89,750,000.00 | 9.58% | 4.73% | 186.00 | 177.00 | -4.84% |
| 520 | SAD #20 FORT FAIRFIELD | 132,883,333.00 | 134,100,000.00 | 137,000,000.00 | 3.10% | 2.16% | 659.00 | 646.00 | -1.97% |
| 521 | SAD #21 DIXFIELD (including Peru) | 222,716,667.00 | 226,250,000.00 | 229,450,000.00 | 3.02% | 1.41% | 1,041.50 | 1,046.50 | 0.48% |
| 522 | SAD #22 HAMPDEN | 521,100,000.00 | 539,225,000.00 | 561,750,000.00 | 7.80% | 4.18% | 2,277.00 | 2,280.50 | 0.15% |
| 523 | SAD #23 CARMEL | 159,633,333.00 | 166,200,000.00 | 172,650,000.00 | 8.15% | 3.88% | 951.00 | 959.50 | 0.89% |
| 524 | SAD #24 VAN BUREN | 74,866,667.00 | 78,375,000.00 | 80,450,000.00 | 7.46% | 2.65% | 462.00 | 439.50 | -4.87% |
| 525 | SAD #25 SHERMAN | 111,200,000.00 | 113,500,000.00 | 113,250,000.00 | 1.84% | -0.22% | 401.50 | 388.50 | -3.24% |
| 526 | SAD #26 EASTBROOK | 52,750,000.00 | 54,550,000.00 | 58,650,000.00 | 11.18% | 7.52% | 130.50 | 123.50 | -5.36% |
| 527 | SAD #27 FORT KENT | 252,210,000.00 | 259,175,000.00 | 264,900,000.00 | 5.03% | 2.21% | 1,158.50 | 1,149.00 | -0.82% |
| 528 | SAD #28 CAMDEN | 867,305,675.00 | 928,181,910.00 | 1,019,584,075.00 | 17.56% | 9.85% | 876.50 | 884.00 | 0.86% |
| 529 | SAD #29 HOULTON | 232,333,334.00 | 233,600,000.00 | 236,050,000.00 | 1.60% | 1.05% | 1,304.50 | 1,317.00 | 0.96% |
| 530 | SAD #30 LEE | 68,033,333.00 | 68,725,000.00 | 69,550,000.00 | 2.23% | 1.20% | 308.50 | 295.50 | -4.21% |
| 531 | SAD #31 HOWLAND * see note | 221,083,333.00 | 224,150,000.00 | 226,150,000.00 | 2.29% | 0.89% | 706.50 | 680.50 | -3.68% |
| 532 | SAD #32 ASHLAND | 131,566,667.00 | 133,425,000.00 | 136,150,000.00 | 3.48% | 2.04% | 354.50 | 349.00 | -1.55% |
| 533 | SAD #33 ST. AGATHA | 75,450,000.00 | 77,125,000.00 | 78,500,000.00 | 4.04% | 1.78% | 333.50 | 332.50 | -0.30% |
| 534 | SAD #34 BELFAST | 997,183,332.00 | 1,084,175,000.00 | 1,158,850,000.00 | 16.21% | 6.89% | 2,002.00 | 1,981.00 | -1.05% |
| 535 | SAD #35 ELIOT | 939,916,667.00 | 1,006,275,000.00 | 1,083,500,000.00 | 15.28% | 7.67% | 2,745.50 | 2,708.50 | -1.35% |
| 536 | SAD #36 LIVERMORE FALLS | 246,900,000.00 | 248,950,000.00 | 254,700,000.00 | 3.16% | 2.31% | 1,005.00 | 1,038.00 | 3.28% |
| 537 | SAD #37 MILBRIDGE | 301,066,667.00 | 314,075,000.00 | 330,900,000.00 | 9.91% | 5.36% | 829.00 | 808.50 | -2.47% |
| 538 | SAD #38 DIXMONT | 79,366,667.00 | 81,000,000.00 | 83,600,000.00 | 5.33% | 3.21% | 398.50 | 400.00 | 0.38% |
| 539 | SAD #39 BUCKFIELD | 161,166,666.00 | 165,800,000.00 | 172,600,000.00 | 7.09% | 4.10% | 656.00 | 630.00 | -3.96% |
| 540 | SAD #40 WALDOBORO | 812,150,000.00 | 846,775,000.00 | 901,600,000.00 | 11.01% | 6.47% | 2,089.50 | 2,028.50 | -2.92% |
| 541 | SAD #41 MILO | 131,033,333.00 | 131,525,000.00 | 135,050,000.00 | 3.07% | 2.68% | 754.00 | 756.50 | 0.33% |
| 542 | SAD #42 MARS HILL | 62,650,000.00 | 64,375,000.00 | 66,200,000.00 | 5.67% | 2.83% | 417.50 | 428.00 | 2.51% |

ED 261 FY 2004-05 vs ED 281 FY 2005-06

| | Subsidy Year: | FY 2005 Operating Valuation (2002, 2003 & 2004 State Valuations) | FY 2005 Program Valuation (2003 & 2004 State Valuations) | FY 2006 Valuation (2004 State Valuation) | % Change Operating | % Change Program | FY 2005 Pupils 2003 Cal. Yr. Avg. | FY 2006 Pupils 2004 Cal. Yr. Avg. | % Change |
|---|---|---|---|---|---|---|---|---|---|
| 543 | SAD #43 MEXICO | 786,600,000.00 | 792,925,000.00 | 791,500,000.00 | 0.62% | -0.18% | 1,574.00 | 1,548.00 | -1.65% |
| 544 | SAD #44 BETHEL | 632,933,334.00 | 647,450,000.00 | 664,550,000.00 | 5.00% | 2.64% | 906.00 | 911.00 | 0.55% |
| 545 | SAD #45 WASHBURN | 74,066,666.00 | 74,650,000.00 | 75,500,000.00 | 1.94% | 1.14% | 415.50 | 418.00 | 0.60% |
| 546 | SAD #46 DEXTER | 215,466,666.00 | 218,450,000.00 | 226,700,000.00 | 5.21% | 3.78% | 1,058.50 | 1,052.50 | -0.57% |
| 547 | SAD #47 OAKLAND | 726,500,001.00 | 762,450,000.00 | 812,200,000.00 | 11.80% | 6.53% | 2,518.00 | 2,478.50 | -1.57% |
| 548 | SAD #48 NEWPORT | 481,066,667.00 | 500,450,000.00 | 521,850,000.00 | 8.48% | 4.28% | 2,072.50 | 2,087.00 | 0.70% |
| 549 | SAD #49 FAIRFIELD | 492,683,333.00 | 501,400,000.00 | 512,750,000.00 | 4.07% | 2.26% | 2,722.50 | 2,700.00 | -0.83% |
| 550 | SAD #50 THOMASTON | 715,699,999.00 | 761,725,000.00 | 816,150,000.00 | 14.04% | 7.14% | 1,017.50 | 978.00 | -3.88% |
| 551 | SAD #51 CUMBERLAND | 1,024,583,333.00 | 1,095,375,000.00 | 1,179,700,000.00 | 15.14% | 7.70% | 2,332.50 | 2,335.50 | 0.13% |
| 552 | SAD #52 TURNER | 536,583,333.00 | 561,825,000.00 | 590,650,000.00 | 10.08% | 5.13% | 2,276.00 | 2,206.00 | -3.08% |
| 553 | SAD #53 PITTSFIELD | 247,383,334.00 | 252,100,000.00 | 255,350,000.00 | 3.22% | 1.29% | 1,205.00 | 1,197.00 | -0.66% |
| 554 | SAD #54 SKOWHEGAN | 1,260,650,000.00 | 1,276,700,000.00 | 1,300,900,000.00 | 3.19% | 1.90% | 2,952.50 | 2,873.00 | -2.69% |
| 555 | SAD #55 PORTER | 413,033,334.00 | 429,300,000.00 | 458,550,000.00 | 11.02% | 6.81% | 1,299.50 | 1,300.50 | 0.08% |
| 556 | SAD #56 SEARSPORT | 304,250,001.00 | 320,050,000.00 | 333,600,000.00 | 9.65% | 4.23% | 839.50 | 829.00 | -1.25% |
| 557 | SAD #57 WATERBORO | 1,312,250,000.00 | 1,414,775,000.00 | 1,531,100,000.00 | 16.68% | 8.22% | 3,707.50 | 3,704.50 | -0.08% |
| 558 | SAD #58 KINGFIELD | 242,349,999.00 | 248,700,000.00 | 257,400,000.00 | 6.21% | 3.50% | 762.50 | 740.00 | -2.95% |
| 559 | SAD #59 MADISON | 397,766,667.00 | 406,300,000.00 | 412,500,000.00 | 3.70% | 1.53% | 1,022.50 | 1,028.00 | 0.54% |
| 560 | SAD #60 BERWICK | 926,316,667.00 | 991,600,000.00 | 1,054,700,000.00 | 13.86% | 6.36% | 3,222.50 | 3,223.50 | 0.03% |
| 561 | SAD #61 BRIDGTON | 1,317,400,000.00 | 1,409,225,000.00 | 1,520,000,000.00 | 15.38% | 7.86% | 2,200.50 | 2,206.50 | 0.27% |
| 562 | SAD #62 POWNAL | 115,583,333.00 | 123,575,000.00 | 134,350,000.00 | 16.24% | 8.72% | 224.50 | 211.00 | -6.01% |
| 563 | SAD #63 EDDINGTON | 278,650,000.00 | 284,625,000.00 | 299,200,000.00 | 7.37% | 5.12% | 982.50 | 989.00 | 0.66% |
| 564 | SAD #64 CORINTH | 253,266,667.00 | 261,900,000.00 | 267,750,000.00 | 5.72% | 2.23% | 1,244.50 | 1,306.50 | 4.98% |
| 565 | SAD #65 MATINICUS ISLE | 14,700,000.00 | 15,300,000.00 | 16,350,000.00 | 11.22% | 6.86% | 2.00 | 4.00 | 100.00% |
| 567 | SAD #67 LINCOLN | 348,433,333.00 | 353,075,000.00 | 358,200,000.00 | 2.80% | 1.45% | 1,266.50 | 1,257.50 | -0.71% |
| 568 | SAD #68 DOVER-FOXCROFT | 270,683,333.00 | 282,450,000.00 | 290,300,000.00 | 7.25% | 2.78% | 1,113.50 | 1,100.00 | -1.21% |
| 570 | SAD #70 HODGDON | 145,500,000.00 | 147,200,000.00 | 151,150,000.00 | 3.88% | 2.68% | 628.50 | 619.50 | -1.43% |
| 571 | SAD #71 KENNEBUNK | 2,380,033,333.00 | 2,578,950,000.00 | 2,751,350,000.00 | 15.60% | 6.68% | 2,489.50 | 2,399.50 | -3.62% |
| 572 | SAD #72 FRYEBURG | 759,683,333.00 | 810,500,000.00 | 870,950,000.00 | 14.65% | 7.46% | 1,399.50 | 1,406.50 | 0.50% |
| 574 | SAD #74 ANSON | 249,250,000.00 | 253,600,000.00 | 262,850,000.00 | 5.46% | 3.65% | 886.00 | 875.50 | -1.19% |
| 575 | SAD #75 TOPSHAM | 1,649,766,666.00 | 1,745,725,000.00 | 1,846,700,000.00 | 11.94% | 5.78% | 3,349.00 | 3,267.00 | -2.45% |
| 576 | SAD #76 SWAN'S ISLAND | 76,933,333.00 | 81,875,000.00 | 89,400,000.00 | 16.20% | 9.19% | 51.50 | 49.50 | -3.88% |
| 577 | SAD #77 EAST MACHIAS | 162,983,333.00 | 171,000,000.00 | 175,000,000.00 | 7.37% | 2.34% | 508.50 | 488.00 | -4.03% |
| 791 | INDIAN ISLAND | 5,333,333.00 | 5,700,000.00 | 5,900,000.00 | 10.63% | 3.51% | 150.00 | 142.50 | -5.00% |
| 792 | PETER DANA POINT | 1,500,000.00 | 1,550,000.00 | 1,600,000.00 | 6.67% | 3.23% | 195.50 | 187.00 | -4.35% |
| 793 | PLEASANT POINT | 883,333.00 | 925,000.00 | 950,000.00 | 7.55% | 2.70% | 183.00 | 187.00 | 2.19% |
| 903 | BOOTHBAY-BOOTHBAY HBR CSD | 948,450,000.00 | 1,026,175,000.00 | 1,085,400,000.00 | 14.44% | 5.77% | 747.00 | 718.00 | -3.88% |
| 904 | FLANDERS BAY CSD-SULLIVAN | 184,164,800.00 | 191,942,025.00 | 208,095,595.00 | 12.99% | 8.42% | 285.50 | 293.00 | 2.63% |
| 907 | MT. DESERT REGION DISTRICT | 808,749,446.00 | 857,182,198.00 | 946,438,100.00 | 17.02% | 10.41% | 546.50 | 536.50 | -1.83% |
| 908 | AIRLINE CSD-AURORA | 47,583,334.00 | 48,900,000.00 | 49,900,000.00 | 4.87% | 2.04% | 66.00 | 72.00 | 9.09% |
| 909 | SO. AROOSTOOK CSD-DYER BROOK | 110,499,999.00 | 112,775,000.00 | 116,600,000.00 | 5.52% | 3.39% | 420.00 | 409.50 | -2.50% |
| 910 | MARANACOOK CSD-READFIELD | 303,362,423.00 | 316,078,694.00 | 335,808,550.00 | 10.70% | 6.24% | 830.00 | 851.00 | 2.53% |
| 911 | SCHOODIC CSD-SULLIVAN | 73,529,834.00 | 75,717,485.00 | 80,769,765.00 | 9.85% | 6.67% | 160.00 | 156.00 | -2.50% |
| 912 | EAST RANGE II CSD-TOPSFIELD | 14,633,334.00 | 14,925,000.00 | 16,100,000.00 | 10.02% | 7.87% | 35.00 | 39.00 | 11.43% |
| 913 | DEER ISLE-STONINGTON CSD | 437,750,000.00 | 465,200,000.00 | 490,000,000.00 | 11.94% | 5.33% | 466.00 | 441.50 | -5.26% |
| 914 | GREAT SALT BAY CSD-DAMARISCOTTA | 326,792,563.00 | 341,054,503.00 | 354,248,205.00 | 8.40% | 3.87% | 419.50 | 419.50 | 0.00% |
| 915 | OAK HILL CSD-WALES | 126,604,150.00 | 131,652,965.00 | 140,239,990.00 | 10.77% | 6.52% | 576.50 | 569.00 | -1.30% |
| 917 | MOOSABEC CSD-JONESPORT | 38,433,355.00 | 41,051,483.00 | 43,601,175.00 | 13.45% | 6.21% | 100.00 | 90.50 | -9.50% |

ED 261 FY 2004-05 vs ED 281 FY 2005-06

| | Subsidy Year: | FY 2005 Operating Valuation (2002, 2003 & 2004 State Valuations) | FY 2005 Program Valuation (2003 & 2004 State Valuations) | FY 2006 Valuation (2004 State Valuation) | % Change Operating | % Change Program | FY 2005 Pupils 2003 Cal. Yr. Avg. | FY 2006 Pupils 2004 Cal. Yr. Avg. | % Change |
|---|---|---|---|---|---|---|---|---|---|
| 918 | WELLS-OGUNQUIT CSD | 2,238,600,000.00 | 2,404,100,000.00 | 2,618,950,000.00 | 16.99% | 8.94% | 1,511.50 | 1,503.50 | -0.53% |
| 919 | FIVE TOWN CSD | 573,150,982.00 | 612,144,443.00 | 672,778,655.00 | 17.38% | 9.91% | 717.00 | 730.00 | 1.81% |
| 920 | PENINSULA CSD | 178,321,302.00 | 188,364,355.00 | 196,435,260.00 | 10.16% | 4.28% | 191.00 | 189.50 | -0.79% |
| | STATE TOTALS | 92,181,759,994 | 96,957,650,007 | 102,003,950,000.00 | 10.66% | 5.20% | 206,651.50 | 204,136.00 | -1.22% |

The following item was taken up out of order by unanimous consent:

**UNFINISHED BUSINESS**

The following matter, in the consideration of which the House was engaged at the time of adjournment Tuesday, January 18, 2005, had preference in the Orders of the Day and continued with such preference until disposed of as provided by House Rule 502.

HOUSE DIVIDED REPORT - Majority (12) **Ought to Pass as Amended by Committee Amendment "A" (H-1)** - Minority (3) **Ought to Pass as Amended by Committee Amendment "B" (H-2)** - Joint Select Committee on **PROPERTY TAX REFORM** on Bill "An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels" (EMERGENCY)

(H.P. 6) (L.D. 1)

TABLED - January 18, 2005 (Till Later Today) by Representative CUMMINGS of Portland.

PENDING - **ADOPTION OF COMMITTEE AMENDMENT "A" (H-1).**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Mr. Speaker, Women and Men of the House. Finding compromise in the sensitive area of tax reform is not an easy thing to do. I feel very good about what our committee has put forward, and I urge you to support the motion to adopt Committee Amendment "A".

When the Joint Select Committee on Property Tax Reform set out to create a package there were three objectives in my mind that seemed critical to our efforts. The first was to lower Maine's overall tax burden. The second was to shift that burden away from property taxes, especially for Maine Residents. The third was to provide additional relief to those with the greatest burden of the property tax, whether that burden be a result of high mil rates, or high property valuations, or both.

The Committee Amendment we have brought forward makes significant steps toward each of these three objectives. Spending caps are the major provision in the bill to lower our overall tax burden. The spending caps in this bill apply to all levels of government, and they will put pressure on every level of government toward prioritization, cost efficiency, and regionalization of service delivery. The level of the spending caps we proposed is restrictive. The caps will be central to budget debates at every level of government, and while there are provisions to override the caps, I don't see them being overridden carelessly. They will be the limiting guideline and the control of government spending going forward.

School funding is the major provision in the bill to shift Maine's tax burden away from property taxes. The bill phases in a very dramatic increase in school funding over a four-year period. The increased school funding from the state will mean that less needs to be raised locally through property taxes. With the increased school funding there will be a maximum mil rate expectation applied to every community in Maine. No matter how little or how much is raised by that mil rate expectation, the state will make up the difference of what is necessary to provide essential programs and services necessary for every school system. The maximum mil rate expectation statewide is 8.26 mils next year. With the increased funding in future years the maximum mil rate expectation is projected to decline over time to less than 7 mils at the end of the phase in period. The school funding translates to a significant reduction in property tax burdens throughout the state.

The remainder of the bill is designed to provide property tax relief in more targeted areas of need. An expansion of the Circuit Breaker Program will double the refund available to homeowners and renters with the greatest burden, as well as making some level of benefits available at higher income levels. Many more people will be eligible for the program.

The expansion of the homestead exemption assures that a higher portion of every homeowner with a new homestead exemption will be eligible for a $13,000 homestead exemption, and this will be available to every Maine homeowner, and it replaces the much more complicated three tiered system. An increase in revenue sharing, too, will provide added relief to taxpayers in higher mil rate communities.

And finally, a series of Constitutional Amendments, which we will see in separate bills, are designed as tools for communities with property tax burdens that result from rapidly rising valuations.

Each of these provisions is designed to deal with parts of the property tax issue. Put together, I think our committee has brought forward a good package of property tax reforms leading to a fairer and more balanced system overall. I encourage your support for the motion to adopt Committee Amendment "A". Thank you.

Representative TRAHAN of Waldoboro **PRESENTED House Amendment "B" (H-6)** to **Committee Amendment "A" (H-1)**, which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Waldoboro, Representative Trahan.

Representative **TRAHAN**: Mr. Speaker, Ladies and Gentlemen of the House. First I'd like to describe for you what this amendment does. This amendment strikes from the current proposal before you the new EPS Formula that is being amended in this proposal. What it does is it sends the EPS Formula to the Education Committee to be reviewed, to look at the fairness of the funding formula as it relates to urban, suburban, and rural communities. It has the Education Committee report back to this Legislature on March the 1st.

I would like to describe for you why I put this amendment in and why I think it's important that we give this important piece of legislation and this new EPS Formula change a little bit of time. In the six years that I've served here in this Legislature I have never seen a bill that divided our state as much as this one has. It has pitted larger suburban communities against smaller rural communities. It appears to create a formula that benefits larger, wealthier communities at the expense of smaller communities. I thought that when this Legislature took up property tax relief that it would find a way to unify our state, to deliver property tax relief for all the people of our state.

But this legislation has done the opposite. It has divided our state. As a legislator and as a chief executive, I would think that we would want to unify our state. I think that this formula needs more work. There are two serious problems with the EPS Formula. The most important to the rural communities, I think, is the transportation line.

Transportation costs, Ladies and Gentlemen, is an inherently prejudicial item for rural communities. What I mean by that is every rural community, because of its nature, has higher transportation costs. But even more than that, each rural community is different. It might have well maintained roads that are nice and smooth, or a rural community could have many miles of gravel; rough roads that take their toll on school buses, for instance.

I don't think that this formula takes into account those differences that so affect a transportation line within a small rural community. But even more than that, I think this legislation fails

one important point. I don't think it recognizes the incredible value that our small rural schools have to our culture, our community, and basically our reputation across this country.

I talk to a lot of people in my travels as a legislator from other states and they don't say to me "I can't wait to move to the State of Maine so I can move to a large urban school." What they say to me is, "Wow, you have a unique way of living in the State of Maine. You have community, you have small rural villages along your coast, you have small schools where people know each other." That's where I think this legislation fails this state. I think it fails to recognize that as a legislature we shouldn't be developing policies that put them in jeopardy but policies that enhance their ability to survive. All of us know that our young people are leaving our state. You close a rural school in a rural community, and you've guaranteed those students will leave.

I believe that we need to take a closer look at this EPS Formula so that it is fair and equitable to everyone across the state. I think that it would be easy for us to make adjustments in this formula, but if we pass this legislation as is, we will be putting it into statute, and I don't care what you've heard over the last two days, it is difficult to change a law once it is passed. Imagine how difficult it's going to be if we pass this and it benefits school districts, larger school districts, around two smaller school districts. To those of you that represent these smaller districts, do you think that they're going to be willing to give up a portion of their funding after this is passed into law? You may think so but my experience tells me that you will not see those changes. I think people will act in good faith and try to fix this formula but Ladies and Gentlemen, the Legislature is a dog-eat-dog world where the big dog wins and the little dog gets left with the scraps. I'm not willing to put my school district in that position. I want to see the EPS Formula. I don't want to be told every day that it's changing, that it's being tweaked. Where in the world did we come up with that word? What is tweaked? I want a definition of that.

Every day we see this EPS Formula being described differently. That should scare each and every one of us. But more than that, I believe the people of our school districts, our communities, and the taxpayers deserve a legislator who can stand before them and describe the EPS Formula, and know what they're talking about. I challenge anyone in this Chamber, including the Commissioner of Education, to describe in detail the EPS Formula. Give me a copy of the EPS Formula. I was in Rural Caucus the other day when the Commissioner was asked to provide an EPS Formula. She said, "It is extremely complex in all kinds of different places." You expect me to put my community's viability at stake with something that doesn't even exist for us to look at? Forget it.

This Legislator is proud to stand before you and demand more time to know what I'm voting on. I think the people of this state deserve it and when the vote is taken, Mr. Speaker, I request a roll call.

The same Representative **REQUESTED** a roll call on the motion to **ADOPT House Amendment "B" (H-6)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

Representative WOODBURY of Yarmouth moved that **House Amendment "B" (H-6)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Mr. Speaker, Women and Men of the House. What we've put together in our committee is a good and comprehensive package, and the Essential Programs and Services Model of Funding Education is a central piece of that package. I know that we'll continue to evaluate EPS and how it works and how it applies to different communities, and that will be done both by the Department of Education and by the Education Committee of this Legislature. But for purposes of this Tax Reform Package, keeping the Essential Programs and Services Model within it is an important part of what our committee intended to do, so I urge you to support my motion to Indefinitely Postpone this amendment. Thank you.

Representative BOWLES of Sanford **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "B" (H-6)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: The Chair recognizes the Representative from Hartland, Representative Stedman.

Representative **STEDMAN**: Mr. Speaker, May I pose a question through the Chair?

The SPEAKER: The Representative may pose his question.

Representative **STEDMAN**: Thank you, Mr. Speaker. To Representative Trahan, what was done with the funding for the EPS Model, was that left in the bill?

The SPEAKER: The Representative from Hartland, Representative Stedman, has posed a question through the Chair to the Representative from Waldoboro, Representative Trahan. The Chair recognizes that Representative.

Representative **TRAHAN**: Thank you, Mr. Speaker, Ladies and Gentlemen of the House. Thank you for the question. Yes, the money, all of the money that was available under the formula, is left in the bill. All this amendment does is buy us about five weeks to have the Education Committee review the formula and make any necessary changes.

Another important point that I need to make for you is I believe this bill before us was promoted as tax reform, not education reform. Of the members on the committee, there is only one that has had any education expertise that's ever been on the Education Committee, and he spoke before me, but he wasn't in the previous legislature that adopted EPS. This huge piece of legislation should have had our Education Committee review it, but it did not. This was ordered by this Property Tax Committee, and I don't believe it was fair to ask them to do this. I don't believe they had the tools, nor the time and energy to invest in this formula that could have provided the tools that we need to make good decisions and fund our schools properly. That's why I so passionately believe we need to give this more time and you're going to hear people say that we'll continue to work on this. Well, that's what brought us into this mess today. We fly sometimes by the seat of our pants passing legislation that we fix later. But, Ladies and Gentlemen, we get so busy that there is no later. We will be so busy in a month and a half that we won't even be able to know where we're supposed to be at any given time. We're going to be in chaos. We won't be fixing this because we'll have other things to do. I'm telling you we should pass it and we should pass it so that it's as close to being perfect as we can get it. That's our duty as legislators, to provide the best job we can for our constituents, not fix things after we've already broken them ourselves, and knowingly did it. Thank you, Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Bangor, Representative Norton.

Representative **NORTON**: Mr. Speaker, Ladies and Gentlemen of the House. With all due respect to the previous speaker, I think perhaps I should take offense at the fact that I am a 38 year veteran educator with experience on the Education Committee and currently the Chair of that Committee.

I hasten to add, however, that the EPS Model to which you're referring does take into account a lot of the items that you actually pointed out. It is a model that that is intended to deliver, and I believe does, a fair, equitable advantage for all of the children of this state.

Now you have used this word tweak. We actually at this point haven't tweaked the formula. We have looked at the facts that this model does have to be adapted particularly to some of the parts of this state. This model looks at the needs of the children of the state rather than how much money has been spent. I also heard you make a comment about, we don't want to get into having to change the formula. Any of those of us who have been around as many years as I have realize that every single year there has been cushions that have been talked about, there has been help, there has been transition funds, whatever you want to call them. Every single year there has been a problem before the Ed. Committee with the last formula, and it was always looking at who is going to get the cushion this year, or how much are we going to give this community or that community? All we have been involved with this year, all we've been involved in looking at, is the transition money. We realized that transitioning into a new method of distributing money to communities might mean, because of that transition, that some of the communities need to be helped with transition funds. The Joint Select Committee on Taxation looked at that very carefully, and in fact came back to the table on several different occasions, and with the help of the Commissioner, did find more money to help a lot of those communities transition. The danger in not passing LD 1 or the danger in getting rid of this is that all of that transition money will go away. You're right that a lot of the funding that is there is not going to go away, but all of the transition money will go away. In fact, any of those communities that are now a gainer because of that transition money will potentially lose that if we do not act on LD 1 at this point as it came out of committee. So there are other implications that need to be considered too. Thank you.

The SPEAKER: The Chair recognizes the Representative from Waterford, Representative Millett.

Representative **MILLETT**: Mr. Speaker, Ladies and Gentlemen of the House. I'd like to speak briefly in support of the amendment now before us, House Amendment "B", the purposes underlying it as presented by the Representative from Waldoboro, in opposition to the pending motion that it be Indefinitely Postponed. I think Representative Trahan has represented my thinking very well in saying that we feel indebted to the 11 members of this body and the 4 members of the other body who have labored long and hard on our collective behalf since early December to this point in making the Governor's plans for property tax relief in the upcoming year meaningful and do-able.

We are left with, however, a package that primarily is unclear in a lot of our minds in relation to the EPS Model, and how it translates to property tax relief, if at all, in our respective member communities, and that is my concern. I have been associated with school funding laws for over thirty years, and I've seen the change from a foundation program in the '50s and '60s, which was largely a state dictated program. It backed into the formula based on what it could afford, to a reimbursement system started in 1973 under the Uniform Property Tax Model, with modifications to this date.

I believe strongly that a move to a cost base system, which looks at the state as a whole, attempts to get away from the reimbursement notion and sets some broad policy goals that tie to a set of learning standards is the right way to go. However, I'm left here today with the expectation that if we don't act soon, and under the comments of the most recent speaker, that if we do anything to refer this back, we will be under threat of loss of any transition monies that have evolved over the last few weeks with this dilemma. On the one hand, I need to be able to go back to my municipal school officials and my constituents and say this is the EPS Model, folks. I understand it, I have a little handier explanation for you, and this is the way it works, and this is why I believe it's better than the system we've relied on for the last 30 years since 1973. Secondly, I need to be able to go back to those who will deal with budgets with an explanation like a uniform printout format that translates the impact both for the upcoming year and the period of the ramp, whatever length of time that might be. And thirdly, I need to say to my constituents, like the folks who were in the hall this morning, "Folks, bear with us, we're committed to doing this, and if we are able to do it with clarity, with an explanation, and with commitment that we can actually assure you that there will be relief in your tax bills that come to you in the summer and fall of this year. I want desperately to be able to do that. At this point in time I feel I cannot do any of those three things with any degree of intelligence or explanation, and thus I am faced with a need to make this model clearer, more workable, and more prescriptive in what it will do for the various communities that it will impact upon.

If we look at the communication we received this morning from Maine Municipal Association, and out of the 486 units represented in that three colored map, 302 are in the position of either gaining nothing or gaining only within the margin well below the intended cap on local spending growth. That leaves me in a troubled position of wondering is this model, which really translates into actually no growth, no gain, no benefit, no property tax relief of tangible magnitude, that we can say to our voters is coming for about 60 percent of our school systems. That troubles me greatly. I hope it's not that bad but I'm not in the position today to say that I can go back and do what I need to do intelligently and with some degree of knowledge and authority. Thus, I believe that you should hear Representative Trahan's amendment as one with positive intent, not inclined to be anything more than a constructive opportunity to give us what we've been asking for; that simple little explanation, and that local printout, and to do it as quickly as possible so that we can translate the impact back home. That's all we're asking. I'm not happy with the implied threat of the previous speaker, the current House Chair of Education, that we risk the loss of all of these transition monies by virtue of this amendment. Nothing could be further from the truth on an intent level, I can assure you. Thus, it seems to me that while we've all been exposed to the extreme makeover adjustments over the last three weeks, and that has brought some of us to the point of barely being tolerable under this proposal, that we should not be looking at this as under the threat of loss, and thus return to an even worse picture if we vote for this amendment.

I hope you would vote against the motion pending to Indefinitely Postpone, and not think of it as simply a procedural motion, but a motion to test whether or not you are comfortable. Hopefully, you're more comfortable than I, but I represent a group of people, I think, that are not comfortable, that we can go back home this weekend, explain this piece, defend it, define it, and quantify what the relief might be in this year's tax bills. So I hope you would consider the intent as noble, the purpose being to get more information, and our intent to stay within the accelerated time frame that we're working under. Thank you.

The SPEAKER: The Chair recognizes the Representative from Frankfort, Representative Lindell.

Representative **LINDELL**: Mr. Speaker, Ladies and Gentlemen of the House. I rise to speak in favor of House

Amendment "B" to Committee Amendment "A" and against the motion to Indefinitely Postpone the amendment. I'm deeply troubled and concerned with the speed with which this portion of the bill has been rushed through this Legislature. Here we are in the first couple of weeks of the 122nd Legislature, ready to pass a bill that contains an educational funding formula that has deep and long term effects on the funding of education. Those effects are also uncertain, and frankly it's the lack of transparency in the formula that concerns me the most. We've been presented with numerous spreadsheets with differing numbers.

Mr. Speaker, my district comprises of six different towns in two counties, and three separate school districts and within my small district alone I've seen dramatic differences between increases in funding in some areas and decreases in funding to flat funding in other areas. And through all of that I cannot be given a formula by which I can compute how these numbers are arrived at. And, Mr. Speaker, I don't think any of the other members of this House would have that formula or have the capacity to figure out how these numbers are arrived at, and I think referring this section of the bill back to the committee would give us an opportunity to go through that process, learn and understand more about the formula, and perhaps improve the formula. Mr. Speaker, bad legislation is often rushed legislation, and we cannot anticipate all of the impacts that this might have on our schools without due, careful, sober consideration. So, Mr. Speaker, once again I urge the members of this House to vote against the Indefinite Postponement and then vote for this amendment so that we can send this back to the members of the Education Committee to go through this formula and come up with some numbers. Thank you, Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Mr. Speaker, Women and Men of the House. Our committee actually spent a great deal of time wrestling with the EPS Model and how the step-by-step calculation is made in determining the Essential Programs and Services' funding level for each community. We did review in detail how the model works, and as a committee found we weren't comfortable with the model, and indeed comfortable with what many past legislators had already enacted into law that put the basic EPS Model into place. Where we found there was a need for a correction was in the transition to it, and if I can just try to convey how we thought about this transition.

We have a certain amount of money going through the current funding model today, and we have a dramatically increased amount of money that would be going through the new EPS Model as it's fully phased in, and what you want a transition to look like is a very gradual slope from where you are today up to where you want to be, what we call the 100 percent of EPS, 55 percent funding, where we all agree we want to go. And what we found was that what the Department of Education brought forward first as a transition in fact in some communities had a dip at the start, that then lifted back up to where ultimately funding would go. And so the various versions of spreadsheets that have been referred on the floor were versions that tried to better correct and to make for a smoother path toward where education funding is now, toward where education funding is supposed to be. We feel that we reviewed the Essential Programs and Services Model very well and that we substantially improved the transition into the full 55 percent funding. Thank you, Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Winterport, Representative Kaelin.

Representative **KAELIN**: Mr. Speaker, Ladies and Gentlemen of the House. I rise in support of Representative Trahan's amendment and against the pending motion to Indefinitely Postpone this motion. Like Representative Millett, I supported the EPS Formula last year. I thought it was absolutely essential for us to begin to get our arms around the cost of implementing learning results statewide, and I continue to be a supporter of this approach. I must tell you that the last week has been one full of great and tremendous confusion in my rural area of Waldo County, and it's not only in my own mind, but in the minds of the school superintendents that I represent out there. And also in the minds of selectmen in my district, one of who was here today took the time to come over. Kathy Littlefield, who's been a Selectman in the Town of Waldo for 32 years, and I would like to just take a minute to read into the record a portion of what she wrote today. I appreciate your bearing with me, Ladies and Gentlemen of the House. She said that, "The speed and urgency of enacting this is an issue. EPS is not ready to go, it just isn't. An example, the funding for my district since it came from committee Thursday has changed two or three times. What does that tell you about the integrity of the model or the formula? Will you be continually changing and adjusting, and by what criteria? Will it be a squeaky wheel adjustment? Political power adjustment, or what? If this is to work, and I think it can, then everyone must be willing to do it as best for the education for all of our children and not just individual districts and school systems. Each school system must be looked to as to its needs regardless of winners or losers. EPS should not become a tool to further divide Maine. As EPS now stands, it does just that. For example, the EPS Formula changed transportation funding from cost per mile to student per mile. Everyone must realize what that does to rural districts. It takes away what rural districts can't afford to have taken away. EPS adds a regional adjustment for teachers' salaries, saying that it costs more to live in Southern Maine. How does anyone think that rural Maine districts can hope to attract good teachers when they can't afford to pay the salaries that larger districts can pay because they get the adjustment? This is not where EPS should be, adding fuel to the fire to the two Maine issues." There is a lot of confusion. I don't think there's anything wrong with our voting today to send this back to committee for another few weeks so that those people that we're representing can be satisfied that we're on a path here that makes sense for all the different areas of Maine, and I appreciate your time. Thank you, Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Manchester, Representative Moody.

Representative **MOODY**: Mr. Speaker, Men and Women of the House. I'm troubled by the length of time, five weeks, to come up with answers that we've been working on for a great amount of time, and I'm wondering if there's anything in the works at present that would answer the questions that are posed by this amendment. Thank you.

The SPEAKER: The Representative from Manchester, Representative Moody has posed a question through the Chair to anyone who may care to respond. The Chair recognizes the Representative from Bangor, Representative Norton.

Representative **NORTON**: Mr. Speaker, Ladies and Gentlemen of the House. Several vehicles already exist for the Education Committee to deal with the problems or the perceived problems that we may have with EPS. For one thing, the Commissioner has to report back to the committee annually as to the progress, but there are several draft bills, or several bills in that we can use as vehicles to address problems should they actually arise.

The SPEAKER: The Chair recognizes the Representative from Cape Elizabeth, Representative Goldman.

Representative **GOLDMAN**: Mr. Speaker, Ladies and Gentlemen of the House. I am aware of EPS, having sat on the original EPS Committee several years ago. So I'm aware not only of the concept, but I was a participant in working out the original way of organizing and arriving at costs. Many years, actually several years, have gone on since that time, and I have been in touch from time to time with the process. I'm now on the Education Committee and have seen how much work has gone on, and how it is an evolving model. It is mature enough, in my opinion, for us to be able to go forward in some confidence.

In my many years of experience, as other speakers who've spoken before me, I too have many years of experience in the education field; 13 years as a superintendent in two different towns which have had different kinds of impact from various funding formulas. I've never seen a perfect formula, as has already been stated here, and I would like to say as far as the confusion, which I think is understandable, and I think many of us feel that there are questions that we can't answer as clearly as we might. I only knew in all the time I was dealing with the previous funding formulas, frankly, I only knew two or three people who could explain clearly to me how they arrived at the figures that came into my office. So I have to suggest that that is really not a totally new problem, and I do believe I have enough knowledge about the current status of the model so that those issues that are problematic can be worked on.

The SPEAKER: The Chair recognizes the Representative from Bath, Representative Watson.

Representative **WATSON**: Mr. Speaker, May I pose a question through the Chair?

The SPEAKER: The Representative may pose his question.

Representative **WATSON**: Mr. Speaker, Men and Women of the House. I'm curious to know as to whether or not the data actually exists that would provide the numbers that Representative Trahan seeks in this five-week study?

The SPEAKER: The Representative from Bath, Representative Watson has posed a question through the Chair to anyone who may care to respond. The Chair recognizes the Representative from Hartland, Representative Stedman.

Representative **STEDMAN**: Mr. Speaker, Ladies and Gentlemen of the House. In response to the question, the Department of Education has promised us we will get our 281 documents in the next three weeks, and at that time we'll be able to see how the numbers play out in each district, but that's three weeks from now, that's not today. So I would urge you to respond to this properly and vote against the motion to Indefinitely Postpone. Thank you.

The SPEAKER: The Chair recognizes the Representative from Waldoboro, Representative Trahan.

Representative **TRAHAN**: Mr. Speaker, Ladies and Gentlemen of the House. I'd first like to apologize to Representative Norton. I did review the list, and for some reason I missed your name. I usually don't make those mistakes, you'll find that out later, but I would really like to apologize. I'm really sorry about that.

The point that I would like to make, Mr. Speaker, is that this process of schools finding out, and legislators finding out, how much money their school districts are going to get usually doesn't happen this quickly. Usually during the process, what we do is we create our biannual budget and in that budget we include GPA increases in funding. And oftentimes school districts don't learn until months down the road after the session begins how much money each community is going to get. There is no need to rush this. We can look at this legislation in the Education Committee and come back, fix it so that it's equitable to everyone, and it really doesn't change anything that happened in past legislatures. It was common practice to find out how much your school districts got months into the session. So don't be diverted from the issue that we're talking about today. It isn't about data, it isn't about what happened in the past with EPS, it's what's before us right now. In your hearts do you feel confident that you understand how this is going to affect your rural communities? I know I'm not.

The SPEAKER: The Chair recognizes the Representative from Farmington, Representative Mills.

Representative **MILLS**: Mr. Speaker, Ladies and Gentlemen of the House. Let me address the issue from the point of view of a legislator representing a rural area of Maine, because I did follow closely the proceedings in the Select Committee and I respect the work that that committee did over 40 days and 40 nights.

It is because we continue to have issues relating to transportation reimbursement, and transportation costs in rural areas that I have drafted a bill, a separate bill, that will be heard by the Education Committee to clarify, and I'd point to Section 22-A of the definition sections in Committee Amendment "A", which talks about approved adjustments in transportation reimbursement. And it is my understanding that the Committee Amendment "A" does allow for appeals, and redefinitions, and flexibility in the adjustments to be approved by the Department respecting transportation reimbursement. It says that they include, but they're not limited to, Special Ed. Transportation, and Voc. Ed. Transportation, and the like.

It is my understanding and intent to clarify at a later time that this also includes factors such as an unusual number of one-way or dead end runs, and any other cost factor that a rural district might incur that cause an undue burden on that school administrative unit.

But Committee Amendment "A" is important to pass and I urge the members to support the motion to Indefinitely Postpone. I would also call your attention to, those who are concerned about small schools in rural areas, the provisions on Page 74 of Committee Amendment "A" relating to isolated small school adjustments and transition adjustments. I'm aware that the committee made a lot of concessions and adjustments for small schools and rural schools, and I'm aware that the Education Committee will continue to work on these issues that affect us, but each district is different, and the effect of this amendment on each district is different, and we have to accommodate those changes with some flexibility.

We need to pass Committee Amendment "A". Without Committee Amendment "A" at this time, the rural schools, the small schools, will not receive the transition adjustments in this bill. We will not receive the small school adjustments in this bill, we will not receive the isolated school adjustments in this bill, and we will suffer greatly because if this does not pass we stand to lose a great deal more under the existing law. Thank you.

The SPEAKER: The Chair recognizes the Representative from Harrison, Representative Sykes.

Representative **SYKES**: Mr. Speaker, Ladies and Gentlemen of the House. The Essential Programs and Services method of funding education has great potential. It certainly could provide us with a much better way of dealing with the funding issue of education, a very complicated issue, as we all know. It is, indeed, a major policy decision. It's a major shift. Major policy decisions should be made based upon accurate information, complete information, and a stable platform.

Unfortunately, EPS, as we see it today does not contain accurate information, and I would submit the inaccuracies of the transportation costs. It does not contain complete information. As you've heard, we still do not have the Form 281 from the Department of Education, and it is not a stable platform. We've received three different levels of funding in the last seven days. I think by pulling EPS out and allowing some more study does not endanger EPS. In fact, for me, it gives it more potential, more strength, by giving us a better, a more accurate, a more stable, and more complete information.

I only ask that if you were to buy a homeowner's insurance policy, would you want to know what was covered before you bought that policy, or would you simply say I'll wait until we have an accident and then we'll figure out if we're covered? Thank you.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "B" (H-6) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 1**

YEA - Adams, Babbidge, Barstow, Beaudette, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Craven, Crosby, Cummings, Daigle, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Gerzofsky, Glynn, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, McFadden, Miller, Mills, Moody, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Schatz, Seavey, Smith N, Smith W, Thompson, Tuttle, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Annis, Ash, Austin, Berube, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Carr, Cebra, Churchill, Clark, Collins, Cressey, Crosthwaite, Curley, Curtis, Davis G, Davis K, Duprey, Edgecomb, Emery, Fitts, Fletcher, Flood, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lewin, Lindell, Marean, McCormick, McKane, McKenney, McLeod, Merrill, Millett, Moore G, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson D, Richardson E, Richardson M, Richardson W, Robinson, Rosen, Saviello, Sherman, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Twomey, Vaughan.

ABSENT - Clough, Greeley, Lansley.

Yes, 77; No, 71; Absent, 3; Excused, 0.

77 having voted in the affirmative and 71 voted in the negative, with 3 being absent, and accordingly **House Amendment "B" (H-6)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

Representative MERRILL of Appleton **PRESENTED House Amendment "A" (H-5)** to **Committee Amendment "A" (H-1),** which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Appleton, Representative Merrill.

Representative **MERRILL**: Mr. Speaker, Men and Women of the House. This amendment is the two-year ramp. It will fully implement 55 percent funding in this biennium. I offer it, not in the presumption that I know better than the committee, but with the humble recognition that the people of the State of Maine are our masters.

In November of 2003 the people rejected the alternative offered by the last legislature. That alternative, then referred to as 1-B, offered the EPS Model funded over a five-year period of time. The plurality of the people rejected that plan and instead chose the old model to be funded immediately. That choice was confirmed by a majority of the voters in June, when the people decided they had waited for the legislature long enough to fund education at 55 percent as promised in the law.

Please take a moment and look at Sections D-43, D-45, D-48, D-50, and D51 of the bill -- of the Committee Amendment as reported by the committee. These sections expressly and totally repeal what the people themselves enacted into the law. No previous legislature as ever had the audacity to even consider such an action, and we must not let expedience, convenience, or loyalty to party lead us down that thorny path.

The Maine Constitution gives the people the right to nullify our acts and not the other way around.

Instead, I ask you to support this amendment to fully implement 55 percent funding in this legislature. By doing this, and carrying out the people's will, we will do what the voters asked us to do. I don't pretend that it will be easy to find the money to do this. I don't pretend it will be easy to figure out how to fund this, but it is what the people have directed us to do, and when you join me in voting for this amendment you will be affirming that this legislature is up to the challenge that the people have laid before us.

There is a lot at stake in this vote, otherwise this freshman legislator would not be asking you to vote against the wishes of my leadership. But what is at stake is the fundamental building block of our Democratic Republic, the promise that every individual will abide by the will of the majority as expressed in a free election. I ask you, can we who raised our right hand and promised to uphold the Constitution and the Laws of the State of Maine do anything less?

Mr. Speaker, I ask that when the vote is taken it be taken by the yeas and nays so that we may publicly affirm that the people in Maine, the people's will, is our charge. Thank you.

The same Representative **REQUESTED** a roll call on the motion to **ADOPT House Amendment "A" (H-5)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

Representative WOODBURY of Yarmouth moved that **House Amendment "A" (H-5)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Mr. Speaker, Women and Men of the House. This is, indeed, the issue on which our committee struggled the most, and at the end the issue on which we were not completely unanimous. We ended, as you know, with a 12-3 report. Twelve of us supporting the 4-year ramp into funding and 3 of us supporting an accelerated 2-year ramp.

The biggest part of this struggle was the other competing interests that we would have to trade off in considering a 2 year ramp; either choosing a tax increase, which many of us felt was not the right thing to do at this time when we're a high tax burden state, or a requirement that we decrease funding in other parts of the budget beyond the decreases that are already necessary to fund the increased school funding that we already proposed. This was an issue we struggled with a great deal. Again, I am just so pleased with the overall package that we put together, Mr. Speaker, Ladies and Gentlemen of the House, and I urge you to support Committee Amendment "A" as it came forward from the committee. Thank you.

The SPEAKER: The Chair recognizes the Representative from Hartland, Representative Stedman.

Representative **STEDMAN**: Mr. Speaker, Men and Women of the House. I rise in support of Representative Merrill's amendment and I'll urge you to vote against this Indefinite Postponement.

It appears that both of us, Representative Merrill and myself, heard voters say fix education funding, and do it now. To me that says the responsibility is on this 122nd Legislature to solve the problem.

Public Education, K-12, has a high priority, not only for the end product but also the cost in getting there.

One of the problems faced by the so-called Tax Reform Committee was that we were given a deck of cards to play Bridge with, but the cards were Old Maid Cards.

Tax reform was not in the cards, so we dealt with issues perceived to be in the reform arena, though we were only minimally able to generate anything meaningful to that end.

Then comes EPS. To consider EPS to be an element in the reform package is difficult to explain. It was proposed and enacted to provide financial resources to meet the needs of education, the educational establishment, to achieve the learning results in an equitable way, not to solve tax problems, per se.

In my mind, EPS is not ready to be implemented. The integrity of the formula is at stake, not in its basic principles, but in its application. By having to offer major adjustments even before the final draft shows that more tweaking is needed by using adjustments to solve problems that may or may not be inherent in the formula, and having transition funds built in to ensure no loss transitions from year to year tells me that maybe more work needs to be done to understand the variables that are driving this red sheet printout.

I know there is a big fiscal note on this amendment, $104 million, and that the amendment does not suggest a funding source, because to provide dollars outside the budget presented by the Chief Executive would mean additional taxes. Therefore, the funding must be found within the budget document, by reducing the cost and size of government to accommodate this most important responsibility of State Government, the education.

So, in conclusion, I felt that the urgency expressed by the public should be translated into action this term so that education does not take a back seat to other governmental responsibilities, thus my support of Representative Merrill's amendment. Thank you.

The SPEAKER: The Chair recognizes the Representative from Portland, Representative Dudley.

Representative **DUDLEY**: Mr. Speaker, Men and Women of the House. I rise to support the motion to Indefinitely Postpone. I have the greatest respect for the Representative from Appleton, Representative Merrill, but I feel very strongly that adopting her amendment would be one of the most irresponsible things that this body could do in this context of facing hundreds of millions of dollars in revenue shortfalls

This amendment makes no requirement on how we would fund this dramatic increase of $104 million in General Purpose Aid to Education. It's similar to what the voters passed in June, and the Representative is right, the voters did tell us that they wanted immediate 55 percent education funding but they gave us no indication on how they expected us to pay for it. And this amendment, I think, compounds that problem.

What we're left to do, then, is to shift it to existing resources. Existing resources, which we know are already in short supply. And where will we go? Where will we go to balance the budget? We know that 75 percent of the state budget is either education, or higher education, or social services. So we're not likely to go to education to fund an increase in education, we're going to go to the social service side of the budget. And I don't think when Maine voters passed the 55 percent education requirement that they intended us to cut services to people with brain injuries, for example, or children needing mental health services, or children and adults needing mental retardation services, or health care for low-income families, or perhaps completely undermining the Dirigo Health effort. Nor do they, I think, intend for us to undermine economic development efforts in the state, another place, perhaps, in the budget we could go to.

I don't think any of this was intended by the voters in June, and certainly nothing in the question that they were given indicated to us that that's what they wanted us to do.

I find this conversation today to be a very familiar scene, familiar to what we were doing last April in trying to find some level of agreement that would offer tax relief, property tax relief, to Maine voters, or Maine residents. I remember very similar debates about, well, it's not perfect in this way, and it's not perfect in that way, and it's not perfect in another way, and I remember very well going home after that and hearing from my constituents saying we weren't looking for perfect, we were looking for something. We were looking for some indication from that institution that you are capable of responding to our needs, and you failed us; Democrats, Republicans, Green, Independent. You failed us. And I remember constituents telling me when I was going door to door in the campaign, I will vote for anybody who is not an incumbent, regardless of party, because you failed to provide on what was an issue of, perhaps the major issue of the session. And so here we are again. We have another opportunity to demonstrate to the People of Maine that we're capable of property tax reform. And I feel very confident about the quality of the package we've put before you. And I think that this amendment undermines what we're trying to do, what we're trying to demonstrate to the people of Maine. And so for that reason I respectfully disagree with the Representative from Appleton, and will be supporting the motion to Indefinitely Postpone.

Representative GLYNN of South Portland **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "A" (H-5)** to **Committee Amendment "A" (H-1)**.

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: The Chair recognizes the Representative from Sorrento, Representative Bierman.

Representative **BIERMAN**: Mr. Speaker, Ladies and Gentlemen of the House. I was on this August Body to address property tax reform, and it was quite an honor, and I enjoyed all the members, and albeit it went beyond, sometimes, my expectations of what was considered a day, but nevertheless I respectfully disagree with the good Representative from Portland, Representative Dudley. This disagreement actually extends back to the committee. I firmly believe that the citizens of the state feel, and were under the impression that when they voted on the Citizen's Referendum, that they were voting to implement 55 percent that next biennium, within that next biennium budget.

I debated speaking on this because I wanted to leave the committee process, and how we voted, leave it to be debated amongst other members on the floor, but I strongly felt that the EPS Formula was flawed, but yet I felt that I could support it, given the assurances and the transitional monies, and the attempts at addressing the rural and isolated, and the high valuation, low student population areas which is a big area that I represent. But I couldn't and would not support the 4-year ramp. And I would strongly encourage the body to support -- not

support the pending motion, and let's see if we can move to the Good Representative from Appleton, Representative Merrill's motion. Thank you.

The SPEAKER: The Chair recognizes the Representative from Biddeford, Representative Twomey.

Representative **TWOMEY**: Mr. Speaker, Men and Women of the House. I too will be voting against Indefinite Postponement. The voters did say three times, as a matter of fact -- there were three surveys that were done; one by the Governor's Office, one by MMA, and one by Kit St. John's outfit, and 65 percent of the responses said we want 55 percent of education funding, we want to have our services without cuts, and we're willing to pay for it, and that's what the response was.

Now we could get into a debate on how we're going to pay for it, seeing that we're mortgaging the future of the State of Maine on the backs of Megabucks and the Maine State Retirement System, you know, we could look to $100 million, a little more than $100 million, for the BETR Program.

It's a matter of priorities; it's a matter of where we want to put our money. The money is there, but there are certain programs that we don't touch, and those of us who care about funding education at 55 percent, and listening to what the voters said, know where the money is. We just need to take the chamber of commerce out of the Executive's Office and maybe we could get something done. Thank you.

The SPEAKER: The Chair recognizes the Representative from North Haven, Representative Pingree.

Representative **PINGREE**: Mr. Speaker, Men and Women of the House. I rise to support the current motion of Indefinite Postponement. I certainly have respect for my colleague from Appleton and her intent, but I just wanted to speak very briefly to where we are and what this bill would do to the current budget. We're not debating the budget right now, but we already have an initial indication of what that budget would look like. $104 million on top of a current problem that we have is something that I know I as a member of this Legislative Body don't want to face, and I have a feeling that once you saw the specifics you wouldn't want to either.

I know not everybody in this legislative body has seen all the specifics of what's coming before us. I'm happy to say that some of it isn't as bad as we saw last legislative session, but there are significant cuts proposed to the most vulnerable Citizens of Maine in the upcoming fiscal budget. We're seeing major cuts to mental health services, to adults and children, to mental retardation services, to foster care parents, to those under the non-categorical waiver, massive estate recovery provisions that will make it much easier for the State of Maine to seize your property if you're an adult living in a nursing home.

So I wanted to give you that preview, not to scare you, but I think that we as the legislative body, hopefully in a bipartisan way, will be able to come together to find some solutions to make this budget more fair. Having spent the last two years on the Appropriations Committee, I can't imagine how an additional $104 million cut, what that would look like to the most vulnerable People of Maine. It's not something that I want to see.

I appreciate the hard work, the bipartisan work, of this tax committee. I think they've worked incredibly hard on these issues and I think that we have to support the work that they've done. They figured out the most responsible way to put tax reform into place and I think that they've realized that a 2-year ramp is not responsible. A two year ramp would do significant and permanent damage to the poorest, the most vulnerable, the elderly, the people of the State of Maine who maybe don't always get to the polls but I know that you knocked on their door during the course of this last election, and I do fear what this amendment would do to those people, and for that reason I ask you to support the Indefinite Postponement. If we do want a two-year ramp, we have to figure out how to pay for it, and putting that burden on the most vulnerable people in Maine is not a responsible solution, in my mind. Thank you, Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from West Gardiner, Representative McCormick.

Representative **MCCORMICK**: Mr. Speaker, Ladies and Gentlemen of the House. I too was on the Joint Select Committee and I can attest to the amount of work we did. We waded through mountains of data, suffered through many spreadsheets, spent many long hours late at night working on this bill. We had wonderful leadership, and we had compromises from both sides of the aisle that I had never seen before. And I truly believe we had a better document when we ended than when we began.

I rise in support, though, of Representative Merrill's amendment, and opposed to the Indefinite Postponement.

In the final analysis, I could not get past how do I explain to the voters that I'm ignoring the will of their vote, and not implementing this program in the shortest term possible. I went door to door all fall long, and I told everyone my top priority will be to implement Referendum 1A, and nobody objected to that, so I had to vote against this, and vote in the minority on this bill, and so I hope you will support Representative Merrill's amendment. Thank you.

The SPEAKER: The Chair recognizes the Representative from Arundel, Representative Daigle.

Representative **DAIGLE**: Mr. Speaker, Ladies and Gentlemen of the House. Much of the debate lately has been referring to the public referendum, saying that it is the will of the people, and that it is sacrosanct, that we cannot touch it. We should not be modifying it.

If you look back in history, it is not unheard of for us to do exactly that. We have modified many referendums. The overwhelming majority of referendums are repeals, but the few that have proposed legislation include such things as some income tax indexing back in the '80s, which we had to tear apart and put back together so that it would work. The Sensible Transportation Act, which first stopped the widening of the turnpike, and did many other things about how regional transportation was to be structured. We tore that apart, and we put it back together again because the product by the referendum process was flawed. And very recently, last year, we had a Racino Bill. Remember that one? It passed and we took that thing apart. We've changed virtually every word in the document except for the fact that there would be a Racino at the end. So, we've done this before. We do it when we have to do it.

This particular referendum, calling for 55 percent funding, to my knowledge, did not have a specific implementation schedule. If somebody can stand up and tell me where that referendum said exactly when that money would be paid, and how it would be phased in, that would be news to me. But it wasn't there. That implementation schedule was to be determined by the legislature, and that's what LD 1 is proposing to do, and that's what the committee has done, is determine the implementation schedule that was in that referendum,

Throughout my earlier three terms in this legislature I consistently stood here, sat here, listened to bills supporting new social programs with huge price tags down the road, and asked the question how are you going to pay for it? And every time someone said I don't know, we'll find the money, I voted no for those. I lost to many of those bills and they're now part of our structural gap, and I regret that they were passed, but they weren't passed with my vote. So unfortunately in this particular

case I'll be supporting Indefinite Postponement for the same reason, because you've got a good idea, and you don't know how to pay for it, and whether it's expansion of MaineCare, if you don't know how to pay for that, I'm going to vote no. And if it's going to be funding education, and you don't know how to pay for that, I'm going to vote no, also. No in this case means a green light on Indefinite Postponement.

The SPEAKER: The Chair recognizes the Representative from Winslow, Representative Fletcher.

Representative **FLETCHER**: Mr. Speaker, Ladies and Gentlemen of the House. My father taught me a lot, and probably the most important thing he taught me was this: Respect is something people give you. Credibility is something you earn.

I believe this body has a credibility problem. The voters of this state after 20 years realized that the majority of this legislature has been cost shifting the education costs to property taxes, and taking the money and using it for other things. Maybe good purposes, but we rationalize not living up to our commitment of 55 percent. The voters decided twice it was time to fund education first.

I believe that's what we should do. Fund education first, and then if we want to deal with finding other sources of revenue, or making the tough decisions to cut the size of state government, or the social welfare programs, that is something that clearly we have the authority and the accountability to manage.

We no longer can cost shift back to education and property tax. This is an opportunity for this body to regain its credibility. I, in good faith, cannot go out and rationalize once again why we do not have the money to fund education.

I believe this is the time that we will make a difference. We can rationalize once again it's not a good time, but I don't believe in 2 years, or 3 years, or 4 years it's going to be any easier, if we look at what's going on. Let's do our work now, and that's why I would urge you to vote red on the indefinite postponement. Thank you.

The SPEAKER: The Chair recognizes the Representative from Augusta, Representative Lerman.

Representative **LERMAN**: Mr. Speaker, Women and Men of the House. I too served as a member of the Joint Select Committee proudly, and want to extend my appreciation, again, to my colleagues on the Joint Select Committee for really an outstanding job. It was really inspiring.

I do want to remind my colleagues here in the House that in fact a vote out of the Joint Select Committee was a 12 to 3 vote in favor of the entire package, which included the 4-year ramp, and it was a bipartisan vote.

You know, we wrestled with the issue of how do we reconcile a 4-year ramp with the vote of the people on the initiative last June. It was not an easy decision, but I think many of us came to the conclusion that the biggest message of all that we got from that vote was the need to act, the need to put together a responsible package, that the voters wanted the legislature to play its rightful role in dealing with the issue of property tax relief and reform, and recognizing the difficulty of finding the resources, certainly within the budget, and I'm not going to get into the details because my colleagues have already described a budget situation that we'll be wrestling with over the next few weeks or so that will be extremely challenging, given the limited resources that we have. To add another $104 million to that budget without recognizing additional sources of revenue, I agree, is not the way to go and is irresponsible.

I believe that we are being responsible to fulfill the spirit and intent of what the voters were directing us to do. I want to assure you that we really took it very seriously, and I urge you to vote in favor of Indefinite Postponement. Thank you.

The SPEAKER: The Chair recognizes the Representative from Augusta, Representative Davis.

Representative **DAVIS**: Mr. Speaker, Women and Men of the House. I would like to speak against the pending motion, and I am in favor of Representative Merrill's amendment to ramp the 55 percent state share of education.

I want to thank Representative Merrill for giving a Freshman Legislator the nerve to stand up and act upon what I promised my constituents to do, and that was to increase the state share of education spending in a timely fashion. It will help me also to stick to my standards and to the promises I made to my constituents. I also would like to stress the dissatisfaction I have for those who exploit the brain injured, and the disabled, and the vulnerable people of our state. We use that all the time when we speak of budget matters, and I think that's terribly unfair. I know we have a very hard road ahead of us to cut spending, to manage our services better. That's what I told my constituents I would do, and that's what I intend to do. So I'm asking you to vote against the pending motion to Indefinitely Postpone this amendment.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "A" (H-5) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 2**

YEA - Adams, Ash, Babbidge, Barstow, Beaudette, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Craven, Crosby, Cummings, Daigle, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Faircloth, Farrington, Fischer, Fisher, Gerzofsky, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, Miller, Mills, Moody, Moore G, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Saviello, Schatz, Smith N, Smith W, Thompson, Tuttle, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Annis, Austin, Berube, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Carr, Cebra, Churchill, Clark, Collins, Cressey, Crosthwaite, Curley, Curtis, Davis K, Duprey, Eder, Edgecomb, Emery, Finch, Fitts, Fletcher, Flood, Glynn, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lewin, Lindell, Marean, McCormick, McFadden, McKane, McKenney, McLeod, Merrill, Millett, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson D, Richardson E, Richardson M, Richardson W, Robinson, Rosen, Seavey, Sherman, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Twomey, Vaughan.

ABSENT - Clough, Davis G, Greeley, Lansley.

Yes, 75; No, 72; Absent, 4; Excused, 0.

75 having voted in the affirmative and 72 voted in the negative, with 4 being absent, and accordingly **House Amendment "A" (H-5)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

Representative BOWEN of Rockport **PRESENTED House Amendment "G" (H-11)** to **Committee Amendment "A" (H-1)**, which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Rockport, Representative Bowen.

Representative **BOWEN**: Mr. Speaker, Men and Women of the House. I have a very quick amendment to contrast some of these other amendments, a very quick amendment. I think one

we can all get behind. It's about time we had one we could all agree on, I think.

The last time I spoke on this floor was last spring when we were debating, believe it or not, tax reform. It was in the wee hours, as I recall, and we didn't get a whole lot accomplished. As a consequence of that, the Citizen's Referendum passed, and that put us in the position we are now, where tax reform has been directed largely by school funding. I knew when we were over here last spring, and I knew before this question passed, that if school funding became the vehicle through which tax reform was to be delivered, that my town was going to be out of luck. My district.

And so when I started thinking about how we could make this piece of legislation work for those of us in districts that are seeing spiraling valuations, I wasn't really looking for a whole lot of money out of the school funding formula, honestly, no matter how much money we dumped into it, I don't think. And so for me the big issue was were we going to have a tax relief program that was effective, that was going to provide relief to the folks that needed it most, was going to be easy to access, it was going to be widely known about, that people were going to use and come to expect to use every year. And the program that we have that most closely approximates that, of course, is the Circuit Breaker Program, which we have in place now.

The problem, of course, has been that the Circuit Breaker Program is widely underused. Even under current law, only half of the people, probably less than half of the people, who qualify for Circuit Breaker, actually apply for it. And so we have a problem of a pretty good tax relief program directed at the folks that need it the most that is widely underutilized. And I was hoping that the committee would tackle that particular issue and really take some steps to improve that program. They did, to a certain extent. They did lift the eligibility limits, which will put more people into the program. They did lift the benefit level, which means that people will stand to see more relief coming to them, those that apply.

What has not changed, however, is how easy the program is to access. It remains, as it is now, that you have to apply. It's a separate form. You do it in the fall for the taxes you paid on the year before. It's relatively convoluted, quite frankly, and that probably is the big explanation for why most people don't use it, who have access to use it.

So what I was hoping we would be able to accomplish was take this Circuit Breaker Program, and one of the things that we can do to broaden its use is put it into the income tax package. Now when we looked at this last year as part of the tax reform piece, one of the problems we ran into is that because of the income thresholds that the program used back then, there wasn't much crossover between people who file income taxes and people who file Circuit Breaker.

Now with the eligibility limits being lifted, so that now we're going around saying that ninety percent of the people in the state qualify for this program, it makes more sense to try and put that into the tax package so that people can access it when they're doing their taxes, take it as a credit when they do that, and they're done.

Now we talked about this with Maine Revenue last year, there are a number of problems. And I know that the committee, the Tax Reform Committee, looked at this and looked hard at it, and worked on it. I know they did. And I know that there are some issues that need to be fixed about it. There are issues about phasing it in, and can we pay two years' worth of property tax rebates in the same year. There are issues about staffing. Maine Revenue uses the staff that processes income tax forms in the spring to process these forms in the fall. There are some issues that need to be overcome, but this can be done.

I've had distributed a yellow sheet, it was a tax form, I hope I didn't give anybody a heart attack or anything, seeing a scary looking income tax form showing up on their desks, but these don't apply to us.

If you look at them, you'll see -- one is from Arizona. This is the program that they use in Arizona. You can go in, you can see it has the qualifications for credit at the top. You put in your income at the bottom, you take your deduction, you put it right on your income tax. On the other side, the State of Missouri has virtually the same program. Theirs seems to be a little more paperwork intensive, for some reason, but nevertheless it's there. This program is used in these two states. Vermont has a program like this. I believe Minnesota has a program like this. Somebody told me yesterday that Maryland has a program like this. Other states are doing this. This is doable. I understand there are hurdles to overcome, but this can be done, and it should be if we want a real Tax Reform Relief Program that people can actually use and will use. So all my amendment does, before I start scaring you into thinking that I'm doing this in this amendment, all this amendment does is it asks our standing Tax Committee to report out a bill by April 15th solving these problems, and getting this done. That's all it does. It doesn't change another word in this entire document. All it does is it says that "The Joint Standing Committee on Taxation will report out a bill that includes an application for this program in the tax package." and we figure out how to solve all those other problems. As I said before, I know the committee worked hard, but they had a lot to work on. They had a whole school funding piece to fit together, and caps, and all kinds of stuff. So I think we made a little bit of progress. The Tax Committee did a good job strengthening this program, but unless we make it easier to access, it isn't going to help a lot of people. And in districts like mine, this is the only thing there is. We're not getting any school money, or very little. And I don't know that there's a whole lot else in there for districts like mine that are low receivers.

This program works. It provides targeted relief to the people who need it, but not enough people are using it, and a simple way to do that is to put it into the income tax package. I know there are problems to be overcome.

We put a lot of trust in the Tax Reform Committee to solve the tax reform problem. I'm prepared to put a lot of trust in the Taxation Committee to solve these problems like these other states have done, and get this done. So I hope to get your support. This is a very simple amendment. It doesn't change anything in the bill except to ask the Tax Committee to get to work on this very, very important problem. Thank you.

Representative WOODBURY of Yarmouth moved that **House Amendment "G" (H-11)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Mr. Speaker, Women and Men of the House. I very much agree with the objectives that the Representative from Rockport, Representative Bowen, has in mind in bringing forward this amendment. And, in fact, this did come up as an issue in our committee and we did discuss at some length whether this was something that we could do as part of this package. As you may know, participation in the Circuit Breaker Program is not 100 percent of all those people eligible, so people could be getting relief who aren't getting it now, and it is important that we find ways to increase the participation.

One of the things that we did do within this bill, which is before the Chamber, is to extend the deadline for application to

the Circuit Breaker Program until May 30th of each year. And our intent in doing that was to enable people to apply for the property tax refunds at the same time that they're doing their income taxes, when people are thinking about tax issues, filling out their income tax forms, they can do this at the same time. So we did make a major step within this bill.

There's also a bill that is coming forward to the regular Tax Committee as part of its regular session that would deal with a check off on income tax forms that would, again, try to facilitate increased participation. So this is a debate I know we will have within the Tax Committee over the course of this session, and so my motion is simply that this is not something that is needed as part of this package. Thank you.

The SPEAKER: The Chair recognizes the Representative from Rockport, Representative Bowen.

Representative **BOWEN**: Mr. Speaker, Men and Women of the House. Just as a way of quick response and clarification, this amendment would ask our Joint Standing Committee on Taxation to do this, not the Taxation Committee that Representative Woodbury was the Chair of.

I would disagree that we don't need this. I have very little to go back to my district and say, "Hey, here's what we did for you."

And all this is asking is that we make a commitment tonight to get it done. That's it. There's nothing in this amendment that makes this happen. It's so that I can go home and say, You know, we passed this thing, and it's not 100 percent, but we're still going to work on it, and we've made a commitment as a group that we're going to make this happen. We've got to do this. For districts like mine, this is all there is, and a lot of you have lots of folks in your district who need this relief, and I don't see any problem with making a statement as a body tonight that we're going to keep a commitment.

There's a lot of talk I'm hearing around here that's a little disturbing about how we're going to get tax reform done. We're almost done with tax reform. I don't think we're done. I think we've got an excellent start, but we've got a lot more work to do. So let's commit to getting this piece of work done. Mr. Speaker, when the vote is taken on the pending motion I would ask for the yeas and nays.

Representative BOWEN of Rockport **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "G" (H-11)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: The Chair recognizes the Representative from Presque Isle, Representative Fischer.

Representative **FISCHER**: Mr. Speaker, Men and Women of the House. I don't disagree with a word that the Good Representative from Rockport has said tonight. What I would tell you for full disclosure is that legislation has been submitted already that will go to the Tax Committee, so they're already going to take up this issue. The only thing that this amendment would do is put an artificial deadline on when the bill would come out, either Ought Not to Pass, or Ought to Pass, it would just put an artificial deadline on it. Now for those of you who pay taxes here in the State of Maine, you obviously look at this date and it might be familiar to you, of April 15th, it's the day you pay your taxes. So this isn't going to actually do anything this year, anyway.

So what's the rush to rush this one bill through? I don't understand why we can't just let our good Tax Committee do their job and report it out when it's been fully reviewed and fully worked. And I can't understand, since it's not going to help anyone this year, why we'd want to pass this amendment. Thank you, Mr. Speaker.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "G" (H-11) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 3**

YEA - Adams, Ash, Babbidge, Barstow, Beaudette, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Clark, Craven, Crosby, Cummings, Daigle, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Faircloth, Farrington, Finch, Fischer, Fisher, Gerzofsky, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, McKane, Merrill, Miller, Mills, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Richardson E, Rines, Sampson, Saviello, Schatz, Smith N, Smith W, Thompson, Tuttle, Twomey, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Annis, Austin, Berube, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Carr, Cebra, Churchill, Collins, Cressey, Crosthwaite, Curley, Curtis, Davis K, Duprey, Eder, Edgecomb, Emery, Fitts, Fletcher, Flood, Glynn, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lewin, Lindell, Marean, McCormick, McFadden, McKenney, McLeod, Millett, Moore G, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson D, Richardson M, Richardson W, Robinson, Rosen, Seavey, Sherman, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Vaughan.

ABSENT - Clough, Davis G, Greeley, Lansley, Moody.

Yes, 79; No, 67; Absent, 5; Excused, 0.

79 having voted in the affirmative and 67 voted in the negative, with 5 being absent, and accordingly **House Amendment "G" (H-11)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

Representative TRAHAN of Waldoboro **PRESENTED House Amendment "I" (H-13)** to **Committee Amendment "A" (H-1),** which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Waldoboro, Representative Trahan.

Representative **TRAHAN**: Mr. Speaker, Ladies and Gentlemen of the House. Before I begin, I can tell you that there's no bill in the pipeline like this amendment, so there is no other avenue to do it.

But this issue that I'm trying to address in this amendment, it just recently came to light when I read the copy of the bill that just came out yesterday, and I wanted to bring it to the attention of the Chamber and perhaps we can change it.

What I'm trying to do in this amendment, in this legislation, is a fund for the Efficient Delivery of Educational Services. There is a four-year ramp up in this fund that begins, I believe, around $7 million, and then it tops out at $21 million. This fund is being created to create grants for communities to try to find ways to save money.

Well, we've just created a program, Ladies and Gentlemen, to do that. It's called the Office of Program Evaluation and Government Accountability. Its mission is to do exactly what this fund is directed to do, and I find it kind of strange that we would be creating two entities to do the same thing, and it seems like a real duplication of state services.

So what this amendment would do is it would allow that if the Education Committee, with the oversight committee that oversees this new office, agrees that they'd like to do a transportation review or some type of educational review, they could use money within this fund. So two committees would

have to agree, and it would have to be a review of an educational issue or concern.

To give you an idea, there are 44 types of offices like this new OPEGA Office, forty-four of them. And one of their most common reviews is of their school transportation costs. It seems odd that we would be debating the whole school transportation issue when we have a tool at our disposal to help us fix it.

To give you an example of just one state that did a review of their transportation costs, Florida, they saved $54 million in a transportation review.

A review of one school district in Ohio saved $13 million. The list of reviews of education related programs go on and on. I think this is a wonderful opportunity that we could coordinate efforts between the Department of Education and the Legislature. If we did this, if we put this language in there, it would force the two to cooperate when they do education reviews. And, more importantly, it gives the legislature a better oversight function of what goes on in this new efficiency fund. $21 million, Ladies and Gentlemen, is a lot of money, two percent of our GPA. That's a great deal of money to be putting out for grants. I'm hoping that at some point within this four year ramp that we find a way of doing this much more efficiently, and taking a portion of that $21 million and distributing it back to our schools. I think if we coordinated with the Department of Education and OPEGA, which, by the way, has a seven and a half position staff with a budget of $1 million, we have an entity who can do this work for one-twentieth of what it would cost in this fund. I think it's something worth exploring, and like the previous speaker, this is one amendment that won't cause controversy, and I think we can do together. Thank you. And, Mr. Speaker, when the vote is taken I request a roll call.

The same Representative **REQUESTED** a roll call on the motion to **ADOPT House Amendment "I" (H-13)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

Representative WOODBURY of Yarmouth moved that **House Amendment "I" (H-13)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Mr. Speaker, Women and Men of the House. The efficiency funds that are included in this bill are designed to encourage precisely the kind of regionalization and cost efficiency initiatives at the school level that we think needs to be done as part of overall bringing down our tax burden in the state.

While it's quite complimentary to what would be done with OPEGA, I believe there is an independent role for this function. In addition, the bill requires that the Administration come forward with a plan for how the Efficiency Funds in Education are going to be used and managed, and that plan will go through the Education Committee, have a public hearing, and we can evaluate exactly how those funds should be used. I think that's a good plan. I think it's a plan we should go ahead with as part of our overall tax reform package, and so I urge you to Indefinitely Postpone this amendment. Thank you.

The SPEAKER: The Chair recognizes the Representative from Waldoboro, Representative Trahan.

Representative **TRAHAN**: Mr. Speaker, Ladies and Gentlemen of the House. One thing that I've learned here is that we can find an excuse either for or against just about anything here when we're debating. The whole concept and the idea behind OPEGA was for the Legislature to take a more active role in overseeing state agencies, including the Department of Education. That has not occurred in the past.

This concept is basically we're going to push off our responsibility through this fund to the Department of Education to be doing these types of reviews. It's our job, Ladies and Gentlemen, that's what I've been trying to say to this body and to the people of the State of Maine over the past four years.

Why wouldn't we want to do this? Do you know what a review costs for a program? About $20 thousand to hire a contractor to do a review of transportation costs. Twenty thousand dollars in a fund of $21 million. And all I'm asking is that we take on a more active role in overseeing these types of reviews.

I'll give you an example of why this is important. In one of the reviews in one state there was an allocation of money from the legislature to the Department of Education, and through that allocation they were to buy 20 school busses, brand new school busses. What happened was somewhere in the decision-making process, between the Department of Education and the purchase of the busses, there was a decision made that maybe they didn't need the 20 new busses, they'd buy used busses. This was in the State of Idaho. They purchased the used school busses and they booked the extra money for the new school busses. It's that type of oversight of the function between the Executive and how they spend the taxpayers' money that we need to do a better job with, and I think this is a perfect example of how we can do that, and I'm asking you why wouldn't we?

Representative TRAHAN of Waldoboro **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "I" (H-13)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "I" (H-13) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 4**

YEA - Adams, Ash, Babbidge, Barstow, Beaudette, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Clark, Craven, Crosby, Cummings, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Gerzofsky, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, Merrill, Miller, Mills, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Saviello, Schatz, Smith N, Smith W, Thompson, Tuttle, Twomey, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Annis, Austin, Berube, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Carr, Cebra, Churchill, Collins, Cressey, Crosthwaite, Curley, Curtis, Daigle, Davis K, Duprey, Edgecomb, Emery, Fitts, Fletcher, Flood, Glynn, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lewin, Lindell, Marean, McCormick, McFadden, McKane, McKenney, McLeod, Millett, Moore G, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson D, Richardson E, Richardson M, Richardson W, Robinson, Rosen, Seavey, Sherman, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Vaughan.

ABSENT - Clough, Davis G, Greeley, Lansley, Moody.

Yes, 77; No, 69; Absent, 5; Excused, 0.

77 having voted in the affirmative and 69 voted in the negative, with 5 being absent, and accordingly **House**

**Amendment "I" (H-13)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

Representative MILLETT of Waterford **PRESENTED House Amendment "D" (H-8)** to **Committee Amendment "A" (H-1),** which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Waterford, Representative Millett.

Representative **MILLETT**: Mr. Speaker, Men and Women of the House. Very quickly, this amendment adds one simple, I believe rather direct, sentence to the unallocated language contained in Section D-71 of the Committee Majority Report. That language as it exists in the Majority Report does direct the Commissioner of Education to report to our Joint Standing Committee on Education and Cultural Affairs on January 13th of '06 with an update status on the need for another transition adjustment prior to the beginning of Fiscal '07. If you're like me and are nervous about the implications or the need for a protection of that magnitude or that type in '07, this requires that she be a bit more specific than the language in the Committee Amendment by requiring her to submit a specific request for funding to accomplish a transition in Year Two. My intent here is simply to give us all, all of us who are nervous, a reason to believe that we have assurances that another transition adjustment is in the cards for the second round.

I am so optimistic that there will be support for this amendment that I doubt seriously there will be any effort to Indefinitely Postpone it. However, in the unlikely event that my optimism is misplaced, might I make this comment in advance? I hope that if you are nervous like I am, you would agree with me that this is language that ought to be in this bill for our own protection in Year Two. I thank you and ask that the motion pending be taken by the yeas and nays. Thank you, Mr. Speaker.

The same Representative **REQUESTED** a roll call on the motion to **ADOPT House Amendment "D" (H-8)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

Representative WOODBURY of Yarmouth moved that **House Amendment "D" (H-8)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Mr. Speaker, Women and Men of the House. I want to stand by the report that is put forward by our committee as part of the overall package and urge you to Indefinitely Postpone this amendment. Thank you.

The SPEAKER: The Chair recognizes the Representative from Waterford, Representative Millett.

Representative **MILLETT**: Mr. Speaker, Ladies and Gentlemen of the House. Now that the members have the amendment before you, I am sure you will now agree with my earlier optimism that this is an amendment that is worthy of our passage. I want to assure all of you that I had no part in the conspiracy of denying access to this worthy amendment. I would ask that a roll call be taken on Indefinite Postponement.

Representative MILLETT of Waterford **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "D" (H-8)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "D" (H-8) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 5**

YEA - Adams, Ash, Barstow, Beaudette, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Clark, Craven, Crosby, Cummings, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Gerzofsky, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, Miller, Mills, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Saviello, Schatz, Smith N, Smith W, Thompson, Tuttle, Twomey, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Austin, Babbidge, Berube, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Cebra, Churchill, Collins, Cressey, Crosthwaite, Curley, Curtis, Daigle, Davis K, Duprey, Edgecomb, Fitts, Fletcher, Flood, Glynn, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lewin, Lindell, Marean, McCormick, McFadden, McKane, McKenney, McLeod, Merrill, Millett, Moore G, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson M, Richardson W, Robinson, Rosen, Seavey, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Vaughan.

ABSENT - Annis, Carr, Clough, Davis G, Emery, Greeley, Lansley, Moody, Richardson D, Richardson E, Sherman.

Yes, 75; No, 65; Absent, 11; Excused, 0.

75 having voted in the affirmative and 65 voted in the negative, with 11 being absent, and accordingly **House Amendment "D" (H-8)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

Representative KAELIN of Winterport **PRESENTED House Amendment "E" (H-9)** to **Committee Amendment "A" (H-1),** which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Winterport, Representative Kaelin.

Representative **KAELIN**: Mr. Speaker, Ladies and Gentlemen of the House. I think that one of the most important pieces of LD 1 or House Amendment "A" is the spending cap portions of the bill. Even though it doesn't offer a tremendous amount of -- probably no tax relief to the communities that I represent, the spending caps are an important part of the bill. I think, however, that a simple majority override for us here in the Maine Legislature is inappropriate in this bill, and what my amendment does is increases the vote needed from a majority to a super majority, or two-thirds of the membership of the legislature, to exceed the General Fund Appropriations in the bill, the spending limits in the bill, at Page 6 of the bill. If you read my amendment, you'll see where you can find that in the legislation.

In the last thirty-five years, eighteen of nineteen Current Services Budgets have been passed in this Chamber with a super majority vote. In the last twenty-five years, thirty-two of thirty-nine Supplemental Budgets have been passed with the same super majority threshold. I think that the commitment that we're making to Maine people to limit future spending here, to make sure that our spending at the state level doesn't exceed Maine's people's ability to pay for it is an extremely important goal, and I think it is the reason why we are having a property tax revolt throughout the state. That is, that we have spent far more than people can afford to pay collectively statewide. We have a tremendous shortfall, we've already discussed that tonight, in the Current Services Budget, again, going into this year.

We have a reasonable spending cap in this bill, and I think that the Maine people deserve our coming together in a super majority to override that spending cap limit. I don't think a majority is sufficient. We should move ahead and try to find

common ground, broad common ground, in this Chamber to exceed the spending limit that this bill has in it. I urge you to adopt my amendment. Mr. Speaker, thank you for the opportunity to speak tonight. I would request the yeas and nays. Thank you.

The same Representative **REQUESTED** a roll call on the motion to **ADOPT House Amendment "E" (H-9)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

Representative WOODBURY of Yarmouth moved that **House Amendment "E" (H-9)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY:** Mr. Speaker, Women and Men of the House. This was an issue that was considered a great deal by our committee, and we came together as a committee in our report, and I stand by the report. It's a good Property Tax Reform Package, and I urge you to Indefinitely Postpone this amendment. Thank you.

Representative KAELIN of Winterport **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "E" (H-9)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "E" (H-9) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 6**

YEA - Adams, Ash, Babbidge, Barstow, Beaudette, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Craven, Crosby, Cummings, Daigle, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Flood, Gerzofsky, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, Merrill, Miller, Mills, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Saviello, Schatz, Smith N, Smith W, Thompson, Tuttle, Twomey, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Austin, Berube, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Cebra, Churchill, Clark, Collins, Cressey, Crosthwaite, Curley, Curtis, Davis K, Duprey, Edgecomb, Fitts, Fletcher, Glynn, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lewin, Lindell, Marean, McCormick, McFadden, McKane, McKenney, McLeod, Millett, Moore G, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson M, Richardson W, Robinson, Rosen, Seavey, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Vaughan.

ABSENT - Annis, Carr, Clough, Davis G, Emery, Greeley, Lansley, Moody, Richardson D, Richardson E, Sherman.

Yes, 78; No, 62; Absent, 11; Excused, 0.

78 having voted in the affirmative and 62 voted in the negative, with 11 being absent, and accordingly **House Amendment "E" (H-9)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

Representative FLOOD of Winthrop **PRESENTED House Amendment "L" (H-16)** to **Committee Amendment "A" (H-1),** which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Winthrop, Representative Flood.

Representative **FLOOD:** Mr. Speaker, Ladies and Gentlemen of the House. I bring for your consideration an amendment to Part F, Section F1, that would change the proposed level of Homestead Exemption from $13 thousand to $10 thousand.

As a member of the Joint Committee on Property Tax Reform I am very supportive of the committee's recommendations. In particular I am extremely supportive of the proposal to increase the Homestead Exemption. Yet, as our days of deliberations came to a close, I questioned if we had gone perhaps too far, too fast, with this particular piece of our proposed tax relief.

My specific concern is that a Homestead Exemption increase to $13 thousand could create a burden for local non-qualifying homes and businesses. When we increase the Homestead Exemption to $13 thousand, half of this increase will be borne by the state and one-half borne by the municipalities. Therefore, municipalities will have to A, Reduce spending, or B, Raise taxes on non-qualifying taxable units such as non-homestead structures and businesses.

Some of this Homestead Exemption shift could, in fact, be absorbed by local municipalities in a form of local spending reductions. Each municipality is different, however, so there will be varying abilities to reduce that spending. So, clearly some of this Homestead Exemption tax shift will be allocated to other taxable units within municipalities.

By reducing the proposed Homestead Exemption from $13 thousand to $10 thousand, the impact on the other taxable units will often be negligible, particularly when viewed in conjunction with other features of LD 1, such as the School Funding Reimbursement and the spending caps. Yet, homestead owners will still see a favorable fifty percent improvement in their exemptions.

I offer this amendment in a continuation of the bipartisan spirit of the Joint Select Committee, in an attempt to provide meaningful tax relief for homesteads without causing significant harm to non-qualifying tax units. In total, the LD Package has far more positive and well-thought features than negative. This is one improvement suggestion for consideration by the House, changing the $13 thousand Homestead Exemption to $10 thousand, this will save the state $7 million versus our LD 1 Majority Report. I would request a vote of yeas and nays. Thank you, Mr. Speaker.

The same Representative **REQUESTED** a roll call on the motion to **ADOPT House Amendment "L" (H-16)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

Representative WOODBURY of Yarmouth moved that **House Amendment "L" (H-16)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY:** Mr. Speaker, Men and Women of the House. Let me first say what a pleasure it was to work with the Representative from Winthrop, Representative Flood, as part of our Joint Select Committee on Property Tax Reform.

The Homestead Exemption is one of the pieces of our package that contains a number of different approaches to providing property tax reform and property tax relief. And, again, I believe it's a good package and I stand behind the proposal as we brought it forward to the Chamber, and ask that we Indefinitely Postpone this amendment. Thank you.

Representative FLOOD of Winthrop **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "L" (H-16)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "L" (H-16) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 7**

YEA - Adams, Ash, Barstow, Beaudette, Berube, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Clark, Craven, Cressey, Crosby, Cummings, Daigle, Davis K, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder, Edgecomb, Faircloth, Farrington, Finch, Fischer, Fisher, Gerzofsky, Glynn, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, Miller, Mills, Moore G, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Saviello, Schatz, Smith N, Smith W, Thompson, Tuttle, Twomey, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Austin, Babbidge, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Cebra, Churchill, Collins, Crosthwaite, Curley, Curtis, Duprey, Fitts, Fletcher, Flood, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Kaelin, Lewin, Lindell, Marean, McCormick, McFadden, McKane, McKenney, McLeod, Merrill, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson M, Richardson W, Robinson, Rosen, Seavey, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Vaughan.

ABSENT - Annis, Carr, Clough, Davis G, Emery, Greeley, Jackson, Joy, Lansley, Millett, Moody, Richardson D, Richardson E, Sherman.

Yes, 81; No, 56; Absent, 14; Excused, 0.

81 having voted in the affirmative and 56 voted in the negative, with 14 being absent, and accordingly **House Amendment "L" (H-16)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

Representative BOWLES of Sanford **PRESENTED House Amendment "N" (H-19)** to **Committee Amendment "A" (H-1)**, which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Sanford, Representative Bowles.

Representative **BOWLES**: Mr. Speaker, Ladies and Gentlemen of the House. I beg your indulgence for a couple of minutes. Quite frankly, given the votes on the amendments that have preceded this, I probably would not have offered this amendment up. But I have because it summarizes the position of the vast majority of the Republican Caucus in terms of the improvements that we would have liked to have seen in LD 1. And I'm going to give you the very brief version so that we don't keep this going any longer than necessary.

We would first replace the four-year ramp with the two-year acceleration that's been talked about earlier, and for the reasons that have been cited earlier. Secondly, we would have required a two-thirds vote of the Legislature on all overrides of state funding. We would have tackled the question of where is the funding going to come from, which was of concern to people and legitimately so, in what we felt was a fair and equitable manner. Rather than just slashing programs arbitrarily, we were suggesting a rollback of all existing programs to Fiscal Year '03-'04 levels. In that manner, only those programs that have expanded greatly since that time period would have been significantly affected, and all other programs in place would have been frozen at that level. Finally, we were trying to address another problem that has come to light, frankly, since the bill was reported out of committee, and that is the increase in change to the Homestead Property Tax Exemptions, when we went from the expansion to $13 thousand with only fifty percent funding to the municipalities. This bill would require that we rollback to the $7 thousand that existed in law prior to the Supplemental Budget of last year and fully fund that $7 thousand. It would have avoided the shift on businesses, and it would have avoided the shift from one taxpayer to another that's likely to occur in the increase to $13 thousand.

Understanding that there's no likelihood of passage of this amendment, it's still important that we record for posterity the improvements that we believe would have made this more palatable to the people of Maine and, frankly, more beneficial to them, as well. When the vote is taken, I request the yeas and nays.

The same Representative **REQUESTED** a roll call on the motion to **ADOPT House Amendment "N" (H-19)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

Representative WOODBURY of Yarmouth moved that **House Amendment "N" (H-19)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Mr. Speaker, Women and Men of the House. I very much appreciate the Minority Leader bringing forward his amendment with suggested changes in how he thinks the package would be improved.

I want to stand by what was a very strong committee report in the package that we brought forward. I think we have a good package and I urge you to Indefinitely Postpone this amendment. Thank you.

Representative BOWLES of Sanford **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "N" (H-19)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: The Chair recognizes the Representative from Scarborough, Representative Curley.

Representative **CURLEY**: Mr. Speaker, Men and Women of the House. I know it's fruitless to debate these issues that the Good Representative from Sanford brought forward tonight, but many of my constituents voted for me because I believed in those things. The majority of the people in here, their constituents must not have felt the same way, and I respect the disagreements that we have. But I rise in opposition to what's on the floor because I would like the right to represent my constituents and vote on this amendment.

Not only is my opportunity and my voice taken away to speak for them, but you are not allowing them to speak. They may disagree with you, and that's okay. I can live with that. I can lose a vote, but I am not happy, and I think it does a great disservice to the people of Maine, that we don't have the ability to vote on these amendments. I ask you to vote no on the pending motion, and let me vote for the people who sent me here. Thank you.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "N" (H-19) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 8**

YEA - Adams, Ash, Babbidge, Barstow, Beaudette, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Craven, Crosby, Cummings, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder,

Faircloth, Farrington, Finch, Fischer, Fisher, Gerzofsky, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, Merrill, Miller, Mills, Moody, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Saviello, Schatz, Smith N, Smith W, Thompson, Tuttle, Twomey, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Austin, Berube, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Cebra, Churchill, Clark, Collins, Cressey, Crosthwaite, Curley, Curtis, Daigle, Davis K, Duprey, Edgecomb, Fitts, Fletcher, Flood, Glynn, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lewin, Lindell, Marean, McCormick, McFadden, McKane, McKenney, McLeod, Millett, Moore G, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson M, Richardson W, Robinson, Rosen, Seavey, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Vaughan.

ABSENT - Annis, Carr, Clough, Davis G, Emery, Greeley, Lansley, Richardson D, Richardson E, Sherman.

Yes, 77; No, 64; Absent, 10; Excused, 0.

77 having voted in the affirmative and 64 voted in the negative, with 10 being absent, and accordingly **House Amendment "N" (H-19)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

Representative LINDELL of Frankfort **PRESENTED House Amendment "M" (H-17)** to **Committee Amendment "A" (H-1)**, which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Frankfort, Representative Lindell.

Representative **LINDELL**: Mr. Speaker, Ladies and Gentlemen of the House. I present to you an amendment to the item before us that would have the effect of delivering immediate property tax relief to the largest number of residents of Maine possible. My amendment would increase the Homestead Exemption to $17 thousand and would restore the Circuit Breaker Program from the expansion recommended by Committee to its existing status. In other words, transferring the funds that are currently proposed to be dedicated to the Circuit Breaker Program to the Homestead Exemption.

My purpose behind this amendment, as I said, is to deliver immediate property tax reform to the largest number of people. As we all know, few people who are eligible file for the Homestead Exemption. With its expansion, I expect that even a smaller percentage of those eligible will file for the Circuit Breaker Program. The Homestead Exemption, on the other hand, is delivered directly to almost 100 percent of those who are eligible and appears directly on their tax bills. Ladies and Gentlemen of the House, Mr. Speaker, when our constituents get their tax bills later on this year they will be expecting a tax reduction if we pass this bill. It is my belief that only by devoting more resources to the Homestead Exemption will they actually see those results.

I would also call your attention to the fiscal note. Few people call attention to the fiscal notes on their bills and amendments but I will, in this case. This amendment would have a very small impact on the '05-'06 Budget, less than $400 thousand in additional cost, but in the out years will result in savings in 2008-2009 of $3.4 million. Those savings can later be poured back into the Circuit Breaker if this Body sees fit, or to be used to enhance, or increase funding, of the expanded Homestead Exemption. I ask you to please consider this carefully, and I also ask for the yeas and nays.

The same Representative **REQUESTED** a roll call on the motion to **ADOPT House Amendment "M" (H-17)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

Representative WOODBURY of Yarmouth moved that **House Amendment "M" (H-17)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY** Mr. Speaker, Women and Men of the House. Both the Circuit Breaker Program and the Homestead Exemption are important aspects of the overall Tax Reform Package that we're recommending from the committee, so I urge you to Indefinitely Postpone this amendment. Thank you.

Representative LINDELL of Frankfort **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "M" (H-17)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "M" (H-17) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 9**

YEA - Adams, Ash, Babbidge, Barstow, Beaudette, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Craven, Crosby, Cummings, Driscoll, Duchesne, Dudley, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Gerzofsky, Glynn, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, McKane, Merrill, Miller, Mills, Moody, Norton, Nutting, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Saviello, Schatz, Shields, Smith N, Smith W, Thompson, Tuttle, Twomey, Valentino, Walcott, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Austin, Berube, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Cebra, Churchill, Clark, Collins, Cressey, Crosthwaite, Curley, Curtis, Daigle, Davis K, Duprey, Edgecomb, Fitts, Fletcher, Flood, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lewin, Lindell, Marean, McCormick, McFadden, McKenney, McLeod, Millett, Moore G, Moulton, Muse, Nass, Ott, Pinkham, Plummer, Rector, Richardson M, Richardson W, Robinson, Rosen, Seavey, Stedman, Sykes, Tardy, Thomas, Trahan, Vaughan.

ABSENT - Annis, Carr, Clough, Davis G, Dugay, Emery, Greeley, Lansley, Richardson D, Richardson E, Sherman, Watson.

Yes, 79; No, 60; Absent, 12; Excused, 0.

79 having voted in the affirmative and 60 voted in the negative, with 12 being absent, and accordingly **House Amendment "M" (H-17)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

Representative THOMAS of Ripley **PRESENTED House Amendment "F" (H-10)** to **Committee Amendment "A" (H-1)**, which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Ripley, Representative Thomas.

Representative **THOMAS**: Mr. Speaker, Men and Women of the House. I present this amendment for two reasons. First of all, to provide some tax relief to the small rural communities where I live. Much of the reason for the disparity, the big winners and the big losers in this bill, are the way Special Education is funded. This amendment would not cause Special Education to be lowered over the past way that we've been funding Special

Education, it would amount to an increase, but it would even that increase out so that rural communities were able to receive as much as the urban communities are.

And the second reason I present this amendment is that we're going to be creating a financial incentive to place students in Special Education. I'm firmly convinced that marginal students placed in Special Education have a reason to fail. Whenever something comes before them that's tough, that's going to require effort on their part, they're going to have a readymade excuse that tells them that they don't need to do this; they're special, they're not able to do this, and I believe that we will, in fact, be harming those students while at the same time harming our rural communities. I would like to request the yeas and nays, Mr. Speaker. Thank you.

The same Representative **REQUESTED** a roll call on the motion to **ADOPT House Amendment "F" (H-10)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

Representative WOODBURY of Yarmouth moved that **House Amendment "F" (H-10)** to **Committee Amendment "A" (H-1)** be **INDEFINITELY POSTPONED.**

The SPEAKER: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Mr. Speaker, Women and Men of the House. The percentage recognition of Special Education costs was one of the issues that was explicitly addressed and considered by our committee. And, again, I stand behind our committee report as a good package. So I urge Indefinite Postponement of this amendment. Thank you.

Representative THOMAS of Ripley **REQUESTED** a roll call on the motion to **INDEFINITELY POSTPONE House Amendment "F" (H-10)** to **Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "F" (H-10) to Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 10**

YEA - Adams, Ash, Babbidge, Barstow, Beaudette, Bierman, Bishop, Blanchard, Blanchette, Bliss, Bowen, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Craven, Crosby, Cummings, Daigle, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Gerzofsky, Glynn, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jacobsen, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, Merrill, Miller, Mills, Moody, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Saviello, Schatz, Smith N, Smith W, Thompson, Tuttle, Twomey, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Austin, Berube, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell, Cebra, Clark, Collins, Cressey, Crosthwaite, Curley, Curtis, Davis K, Duprey, Edgecomb, Fitts, Fletcher, Flood, Hall, Hamper, Hanley B, Hotham, Jodrey, Joy, Kaelin, Lewin, Lindell, Marean, McCormick, McFadden, McKane, McKenney, McLeod, Millett, Moore G, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson M, Richardson W, Robinson, Rosen, Seavey, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Vaughan.

ABSENT - Annis, Carr, Churchill, Clough, Davis G, Emery, Greeley, Lansley, Richardson D, Richardson E, Sherman.

Yes, 83; No, 57; Absent, 11; Excused, 0.

83 having voted in the affirmative and 57 voted in the negative, with 11 being absent, and accordingly **House Amendment "F" (H-10)** to **Committee Amendment "A" (H-1)** was **INDEFINITELY POSTPONED.**

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Representative TWOMEY of Biddeford **REQUESTED** a roll call on the motion to **ADOPT Committee Amendment "A" (H-1).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: The Chair recognizes the Representative from Biddeford, Representative Twomey.

Representative **TWOMEY**: Mr. Speaker, Men and Women of the House. I know when I'm defeated, but I want to go on record to say that I will not be part of history today, that I will be voting in opposition, because I don't believe this is real property tax reform.

I don't like tax relief, because the people that I represent have said they're not afraid to pay for services. I have sat through the Agricultural Committee and the Natural Resource Budget and every department has been asked to have a flat budget, and I'm hearing about cuts on inspectors for the dairy farmers, we're cutting lifeguards for freshwater lakes, and everybody is struggling. Yet, yesterday, Commissioners came and lobbied us to support this proposal.

The problem I've had is I can't disconnect this Amendment "A" with how we pay for it. That's the problem I've had from day one. There is no disconnect, there is a budget that's going to have to pay for this, and that's why I've spoken to the budget aspect, because every time we put bills in we're asked about the fiscal note, and how we're going to pay for this.

This isn't easy, and to be so determined that this is not the way to go, because people in this state are not paying their fair share, and we are going to do this property relief, that some have said, which I don't think it is, on the backs of the ones who least can afford it. Because when this comes around to how we're going to pay for it, there are going to be more cuts, and we're going to mortgage my grandchildren's future, because there is no money, because we refused to raise revenue. And I'm not afraid to say that we need to raise revenues in order to pay for services that the state and the people demand and should have, and it's not out of because I'm not respectful of my committee and all the work they've done, or my fellow Democrats, it is because I'm convinced this is wrong, and I wanted to go on record today while everyone is applauding and patting themselves on the back that we have this relief, to the Executive, who I feel is listening to bad decisions or someone, because I think this is bad public policy. Thank you.

The SPEAKER: The Chair recognizes the Representative from Sanford, Representative Bowles.

Representative **BOWLES**: Mr. Speaker, Ladies and Gentlemen of the House. I'm troubled because I believe that there has been a false expectation created surrounding this bill. The expectation actually predates the bill. The expectation goes back to the Citizen's Initiative.

When several organizations that were proponents of this initiative indicated to people that if they voted for an increase in funding in GPA to 55 percent statewide, that there was going to be significant property tax relief automatically to communities throughout the state, that was a false expectation. That, in and of itself, could not have created that property tax relief, there had to be more.

For one thing, there had to be equitable distribution, and we've heard on a number of occasions today the shortcomings

that many of you feel exist in the distribution of the funding for this.

There's another false expectation, though, I believe that people had when they voted, that they thought the Legislature was going to do what they thought they wanted, which was to immediately fund this ramp up to 55 percent. Whether it was, in fact, going to provide property tax relief or not is almost irrelevant. The relevant point is people had an expectation, and that expectation could not be achieved.

We know right know that as many as a half to two-thirds of Maine Residents will not receive immediate, direct property tax relief as a result of the provisions in the EPS Funding. Now some of those people may receive some property tax relief through the expanded Circuit Breaker, but many will not.

We also know that we've created an expectation with the expansion of the Homestead Exemption, but in many communities it's going to be unfulfilled, because if we expand the Homestead Exemption to $13 thousand but we fail to fully fund it, the municipalities are going to have to shift that from one taxpayer to another. Some win, some lose.

We have spending caps. Seven years ago when I entered this building nobody in the Legislature or in State Government was talking seriously about spending caps. They were a dream. Of course, at the time we had money. But what we found since is that we have an innate inability to control ourselves, to be disciplined. Republicans, as well as Democrats, we all have a difficult time disciplining ourselves when we have money. So we have spending caps. To me, years down the road, the spending caps are going to be the only meaningful piece of this legislation.

The override provisions are very weak. Most of these spending caps can be overridden very easily, and possibly they will be. And if you're in the Legislature and there's a vote to override, you'll be proving correct all the people who are opposed to this legislation, and who have suggested that the spending caps did not have real meaning. I hope that the thought of that is going to be enough to cause many people to think twice about this debate and this bill, and remember what it was the people expected from us.

I am going to support the Majority Report. I'm going to do so unenthusiastically because I don't feel that we are truly fulfilling the expectation that's been established in people's minds, if nothing else. But it's a beginning, and in the future when I'm not in this Legislature I'm going to be watching, like all of Maine's other citizens, and hoping that all of you would do the right thing. Thank you.

The SPEAKER: The Chair recognizes the Representative from Biddeford, Representative Beaudette.

Representative **BEAUDETTE**: Mr. Speaker, Men and Women of the House. As with any successful compromise, there are those who will be displeased with the result, and I would hasten to add that there is still a good that comes from it, even though there's an element of displeasure that people hold for themselves. In relationship to my own community, as the Good Representative from Biddeford has said, she feels that this bill does not deliver needed property tax relief that is intended, but I would beg to differ with that observation, and that indeed my community will do quite well by passage of this bill. And I believe that in the long run many of us from many different communities, be they urban communities or rural communities, will also see the benefits of this bill and I would highly recommend voting in favor of Amendment "A." Thank you.

The SPEAKER: A roll call has been ordered. The pending question before the House is Adoption of Committee Amendment "A" (H-1). All those in favor will vote yes, those opposed will vote no.

**ROLL CALL NO. 11**

YEA - Adams, Babbidge, Barstow, Beaudette, Berube, Blanchard, Blanchette, Bliss, Bowles, Brannigan, Brautigam, Brown R, Bryant, Burns, Cain, Campbell, Canavan, Clark, Collins, Craven, Crosby, Cummings, Daigle, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Flood, Gerzofsky, Goldman, Grose, Hanley S, Harlow, Hogan, Hotham, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marean, Marley, Marraché, Mazurek, Miller, Mills, Moody, Moore G, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Plummer, Rector, Rines, Sampson, Saviello, Schatz, Seavey, Smith N, Smith W, Tardy, Thompson, Tuttle, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Ash, Austin, Bierman, Bishop, Bowen, Browne W, Bryant-Deschenes, Carr, Cebra, Cressey, Crosthwaite, Curley, Curtis, Davis K, Duprey, Edgecomb, Fitts, Fletcher, Glynn, Hall, Hamper, Hanley B, Jacobsen, Jodrey, Joy, Kaelin, Lewin, Lindell, McCormick, McFadden, McKane, McKenney, McLeod, Merrill, Millett, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Richardson M, Richardson W, Robinson, Rosen, Sherman, Shields, Stedman, Sykes, Thomas, Trahan, Twomey, Vaughan.

ABSENT - Annis, Churchill, Clough, Davis G, Emery, Greeley, Lansley, Richardson D, Richardson E.

Yes, 89; No, 53; Absent, 9; Excused, 0.

89 having voted in the affirmative and 53 voted in the negative, with 9 being absent, and accordingly **Committee Amendment "A" (H-1)** was **ADOPTED.**

Under suspension of the rules the Bill was given its **SECOND READING WITHOUT REFERENCE** to the Committee on **Bills in the Second Reading.**

Under further suspension of the rules the Bill was **PASSED TO BE ENGROSSED as Amended by Committee Amendment "A" (H-1)** and sent for concurrence.

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By unanimous consent, all matters having been acted upon were **ORDERED SENT FORTHWITH.**

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**BILLS HELD**

HOUSE DIVIDED REPORT - Majority (11) **Ought Not to Pass pursuant to Joint Order 2005, H.P. 108** - Minority (4) **Ought to Pass pursuant to Joint Order 2005, H.P. 108** - Joint Select Committee on **PROPERTY TAX REFORM** on Bill "An Act To Provide a Schedule of School Funding That Provides 55% State Coverage of the Cost of Essential Programs and Services over a Period of 2 Years"

(H.P. 225) (L.D. 300)

- In House, Majority (11) **OUGHT NOT TO PASS pursuant to Joint Order 2005, H.P. 108** Report **READ** and **ACCEPTED.**

**HELD** at the Request of Representative WOODBURY of Yarmouth.

On motion of Representative WOODBURY of Yarmouth, the House **RECONSIDERED** its action whereby the Majority **Ought Not to Pass** Report was **ACCEPTED.**

Representative DUDLEY of Portland moved that the House **ACCEPT** the Minority **Ought to Pass** Report.

On further motion of the same Representative, **TABLED** pending his motion to **ACCEPT** the Minority **Ought to Pass** Report and specially assigned for Thursday, January 20, 2005.

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The following items were taken up out of order by unanimous consent:

**ENACTORS**

**Emergency Measure**

An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels

(H.P. 6) (L.D. 1)
(C. "A" H-1)

Reported by the Committee on **Engrossed Bills** as truly and strictly engrossed.

Representative TRAHAN of Waldoboro **REQUESTED** a roll call on **PASSAGE TO BE ENACTED.**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: A roll call has been ordered. The pending question before the House is Enactment. All those in favor will vote yes, those opposed will vote no.

This being an emergency measure, a two-thirds vote of all the members elected to the House being necessary

**ROLL CALL NO. 12**

YEA - Adams, Babbidge, Barstow, Beaudette, Berube, Bierman, Blanchard, Blanchette, Bliss, Bowen, Bowles, Brannigan, Brautigam, Brown R, Bryant, Burns, Cain, Campbell, Canavan, Carr, Collins, Craven, Crosby, Cummings, Curley, Curtis, Daigle, Davis G, Driscoll, Duchesne, Dudley, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Flood, Gerzofsky, Goldman, Grose, Hanley S, Harlow, Hogan, Hotham, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marean, Marley, Mazurek, McFadden, Miller, Mills, Moody, Moore G, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Plummer, Rector, Rines, Sampson, Saviello, Schatz, Seavey, Smith N, Smith W, Tardy, Thompson, Tuttle, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Annis, Ash, Austin, Bishop, Browne W, Bryant-Deschenes, Cebra, Churchill, Clark, Cressey, Crosthwaite, Davis K, Duprey, Edgecomb, Fitts, Fletcher, Glynn, Hall, Hamper, Hanley B, Jacobsen, Joy, Kaelin, Lansley, Lewin, Lindell, McCormick, McKane, McKenney, McLeod, Merrill, Millett, Moulton, Nass, Nutting, Ott, Pinkham, Richardson D, Richardson E, Richardson M, Richardson W, Robinson, Rosen, Sherman, Shields, Stedman, Sykes, Thomas, Trahan, Twomey, Vaughan.

ABSENT - Clough, Dugay, Emery, Greeley, Hutton, Jodrey, Marraché, Muse. and accordingly

Yes, 92; No, 51; Absent, 8; Excused, 0.

92 having voted in the affirmative and 51 voted in the negative, with 8 being absent, and accordingly the Bill **FAILED PASSAGE TO BE ENACTED** and was sent to the Senate.

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**SENATE PAPERS**

The following Joint Order: (S.P. 111)

ORDERED, the House concurring, that the Joint Standing Committee on Education and Cultural Affairs shall review the following components of the Essential Programs and Services Funding Act established pursuant to the Maine Revised Statutes, Title 20-A, chapter 606-B, including proposed provisions contained in L.D. 1, Part D:

1. The replacement of existing cost-sharing agreements that were established by member municipalities of school administrative districts and community school districts prior to January 1, 2004 to determine how member municipalities would share the costs of operating the school district;

2. The per-pupil rates established under the Essential Programs and Services Funding Act for those school administrative units that do not operate an elementary school, but pay tuition for their students to attend school in another school administrative unit;

3. The distribution of funds for special education within the model for Essential Programs and Services Funding Act as opposed to 100% state funding outside the model; and

4. Other cost components of the Essential Programs and Services Funding Act, including, but not limited to, those for vocational education, isolated small schools, gifted and talented programs, transition adjustments and the Fund for the Efficient Delivery of Educational Services; and be it further

ORDERED, that the Joint Standing Committee on Education and Cultural Affairs shall report out legislation by March 15, 2005 to the Senate based upon its review.

Came from the Senate, **READ** and **PASSED.**

**READ.**

The SPEAKER: The Chair recognizes the Representative from Waterford, Representative Millett.

Representative **MILLETT**: Mr. Speaker, Ladies and Gentlemen of the House. Very briefly, I'd like to thank the folks on the other side of the aisle and in the other Chamber for agreeing to this Joint Order in compromise fashion. It does achieve many of the goals that concerned a lot of us last evening, in the need for further review of the EPS Model. It, however, does not preempt or cause me to think that there is great intent to do harm to the overall formula, but to simply clarify, in particular, the four areas mentioned within the order. I appreciate the willingness to have this go to the Committee. I don't think it's going to cause difficulty on the timeline, and I think the clarity that we seek will be beneficial to all. I would like to just say from my reading of it, that the review that is contemplated in the opening paragraph, while it doesn't specifically say so, I hope that it would be interpreted by the Joint Standing Committee on Education and Cultural Affairs as one that provided an opportunity for public input.

Once again, I thank the members of the other side of the aisle for a willingness to do this and I urge your support. Thank you.

The SPEAKER: The Chair recognizes the Representative from Wilton, Representative Saviello.

Representative **SAVIELLO**: Mr. Speaker, Ladies and Gentlemen of the House. I, took want to reiterate the thanks to those that helped bring this forward for us. I want to add my words of support to this Joint Order. As Chairman or Co-Chairman of the Rural Caucus and as a Representative who has two rural districts, school districts, that are affected by what we did, the effort of this Order has been requested by my selectmen and by the superintendents that I worked very closely with over the last couple of days. I appreciate being able to tell them that we will look at EPS in a little bit more detail, and it will be under a very quick timetable. My hope is at the same time the Department of Education spends some time with all of the superintendents, because one of the things that I did find as we went through this debate in the last month is there's a lot of misunderstanding about what EPS is out there, and it also gives us the time from DOT, although yesterday I was able to get some of those numbers, to get some of the more detailed things so that we can all make some good comparisons. I look forward to the Education Committee's work, I look forward to the public hearing, and the report out that comes from that, and the results that take place. Thank you, Mr. Speaker.

**PASSED** in concurrence.

**STATE OF MAINE**
**ONE HUNDRED AND TWENTY-SECOND LEGISLATURE**
**FIRST REGULAR SESSION**
**JOURNAL OF THE SENATE**

In Senate Chamber
Thursday
January 20, 2005

Senate called to order by President Beth Edmonds of Cumberland County.

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Prayer by Reverend Dr. Edward DeLong of the Westbrook-Warren Congregational Church, UCC, of Westbrook.

**REVEREND DELONG:** I tell my church when we worship that the most dangerous thing that we do is the invocation because it's a reminder that we're not completely in charge. Let us pray.

Gracious God, by Your providence and grace You have called these men and women for public service to the good people of Maine. Through our discerning and voting we have elected them to be our leaders. We ask simply and plainly that You equip them this day with the gifts and graces necessary for their vocation as Senators. We acknowledge that we lead best as we follow and open ourselves to Your living and risen word still speaking among us. Give us ears to hear, eyes to see, minds to understand, hearts to follow, and hands to embrace each other in our common life, that Maine may lead and direct as a beacon to that realm where Your will is done on earth as it is in heaven. We pray in the strong name of Jesus. Amen.

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Doctor of the day, Dr. Buell Miller of Richmond.

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Reading of the Journal of Wednesday, January 19, 2005.

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Out of order and under suspension of the Rules, the Senate considered the following:

**ORDERS**

**Joint Order**

On motion by Senator **NUTTING** of Androscoggin, the following Joint Order:

S.P. 111

ORDERED, the House concurring, that the Joint Standing Committee on Education and Cultural Affairs shall review the following components of the Essential Programs and Services Funding Act established pursuant to the Maine Revised Statutes, Title 20-A, chapter 606-B, including proposed provisions contained in L.D. 1, Part D:

1. The replacement of existing cost-sharing agreements that were established by member municipalities of school administrative districts and community school districts prior to January 1, 2004 to determine how member municipalities would share the costs of operating the school district;

2. The per-pupil rates established under the Essential Programs and Services Funding Act for those school administrative units that do not operate an elementary school, but pay tuition for their students to attend school in another school administrative unit;

3. The distribution of funds for special education within the model for Essential Programs and Services Funding Act as opposed to 100% state funding outside the model; and

4. Other cost components of the Essential Programs and Services Funding Act, including, but not limited to, those for vocational education, isolated small schools, gifted and talented programs, transition adjustments and the Fund for the Efficient Delivery of Educational Services; and be it further

ORDERED, that the Joint Standing Committee on Education and Cultural Affairs shall report out legislation by March 15, 2005 to the Senate based upon its review.

**READ.**

**THE PRESIDENT:** The Chair recognizes the Senator from Androscoggin, Senator Nutting.

Senator **NUTTING:** Thank you, Madame President, ladies and gentlemen of the Senate. As I become more and more familiar with Part D of L.D. 1, I and other legislators, of both parties, from rural Maine have had concerns over this new funding model. To me, this Joint Order allows the Education Committee to review this, have a public hearing on it, and to really see what this formula does, what this model does, and what it doesn't do. I want to thank the people of both parties from this body that helped in the drafting of this. I urge your support of this Joint Order.

**THE PRESIDENT:** The Chair recognizes the Senator from Somerset, Senator Mills.

Senator **MILLS:** Madame President and men and women of the Senate, I join fervently in the good Senator from Androscoggin, Senator Nutting's request that this order be approved. I had the pleasure and the very great privilege, frankly, of serving on the Tax Reform Committee, which should have been called the Tax Reform and Education Committee, of the past 35 days. We worked well into the middle of the night on a number of occasions and it became apparent to us, I think fairly early on, that struggling with the education formula was probably the most significant, most substantial, and by far the most difficult part of our work. Some of us were embarrassed by the extent to which we were, in a sense, supervening the work of the Education Committee.

I think many of us closed down our work last week with a very nervous feeling that this brand new education funding model, in which we spend $800 million or $900 million a year and that will go on for year to year after this, needs to be examined with extraordinary care by other eyes; particularly by the committee

that has jurisdiction over it, the Superintendents, the school districts, the people that work with this formula, and school boards. They need to see their 281 reports, I think that is what they are called. It's the report that shows the breakdown of how the model of the formula applies to each school district and the method by which the state explains, in detail, what each town has for a local obligation and how that obligation was calculated and how the state is going to meet its obligation.

Probably by the end of the today we are going to be passing into law, somewhat permanently, a new school funding model without having the benefit of that information. I think there is a great deal of nervousness, and in some quarters, actual dissatisfaction that we don't have the time to develop the information we really need to make a sound and considered judgment on whether this model is the appropriate model for us to launch the next few years of school funding on. I personally think that this notion of an EPS model, an essential programs and services model, is so far superior to what we have now that I endorse the idea that we are making progress in a very appropriate direction. Nevertheless, much of the specifics about how this model will hit the ground and what are reasons and the policy decisions that lie behind the numbers on those spreadsheets is still a mystery to many of us. It's not because we don't want to know. There are many of us who sincerely do want to know. We want to rub our noses in the figures. We want more detail. We want this system studied. This is probably the single biggest piece of work we down here, we act as tax collectors for local school districts. Certainly it is the biggest chunk of money that we raise and spend, $900 million a year roughly. I consider it the most important work that I do here. I'm going to be following the work of the Education Committee with great interest in the next few months. I may have some of my own ideas that I may wish to proffer to the committee, if they'll be kind enough to accept them. At this point, I'm dry because I don't have enough information. I think the next 40 days or so, if the committee will abide by the Joint Order, will do it's work and will plunge into this formula with the fervor that we tried to bring to bear in our committee under the leadership of the Senator from Hancock, Senator Damon. I think that we may have a time in March when we will want to revisit some of the particulars of this model. I hope that everyone in this chamber and in the other will maintain an open mind and will also be willing to devote their own time to understanding this new model and this new approach to the distribution of these funds. Thank you very much, Madame President.

**THE PRESIDENT**: The Chair recognizes the Senator from Oxford, Senator Bryant.

Senator **BRYANT**: Thank you, Madame President, men and women of the Senate. I, too, rise today to support this Joint Order. I've had tremendous concerns about essential programs and services and how it affects the local areas. It gives me great comfort knowing that the good Senator from Kennebec, Senator Mitchell, is going to be able to look at this within a time frame that gives us comfort that we can move forward. It's a good joint order and I support it and would encourage you to so also. Thank you.

On motion by Senator **NUTTING** of Androscoggin, **PASSED**.

Ordered sent down forthwith for concurrence.

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Off Record Remarks

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Out of order and under suspension of the Rules, the Senate considered the following:

**REPORTS OF COMMITTEES**

**House**

**Divided Report**

The Majority of the Joint Select Committee on **PROPERTY TAX REFORM** on Bill "An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels" (EMERGENCY)
H.P. 6 L.D. 1

Reported that the same **Ought to Pass as Amended by Committee Amendment "A" (H-1)**.

Signed:

Senators:
DAMON of Hancock
MILLS of Somerset
PERRY of Penobscot

Representatives:
WOODBURY of Yarmouth
CLOUGH of Scarborough
LERMAN of Augusta
DUDLEY of Portland
DUGAY of Cherryfield
NORTON of Bangor
FLOOD of Winthrop
SMITH of Monmouth
BIERMAN of Sorrento

The Minority of the same Committee on the same subject reported that the same **Ought To Pass as Amended by Committee Amendment "B" (H-2)**.

Signed:

Senator:
ROSEN of Hancock

Representatives:
McCORMICK of West Gardiner
STEDMAN of Hartland

Comes from the House with the Majority **OUGHT TO PASS AS AMENDED BY COMMITTEE AMENDMENT "A" (H-1)** Report **READ** and **ACCEPTED** and the Bill **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "A" (H-1)**.

Reports **READ**.

On motion by Senator **DAMON** of Hancock, the Majority **OUGHT TO PASS AS AMENDED BY COMMITTEE AMENDMENT "A" (H-1)** Report **ACCEPTED,** in concurrence.

**READ ONCE.**

Committee Amendment "A" (H-1) **READ.**

**THE PRESIDENT:** The Chair recognizes the Senator from Hancock, Senator Damon.

Senator **DAMON:** Thank you, Madame President, men and women of the Senate. It is indeed my pleasure to offer for your consideration the Majority Committee report on L.D. 1. The report before you is the result of hours; many, many hours, of work by a very dedicated, thoughtful, and diligent group of legislators who made up the Joint Select Committee on Property Tax Reform. I was honored to have the opportunity to work with such a fine group of people who, despite the pressure of time and conflicting opinions, worked together in a respectful, collegial, and responsible manner on these very difficult and important issues. Thank you, Madame President, for giving me the opportunity to serve with that committee.

The result of those many hours of work is a committee amendment that, while perhaps not perfect, is likewise not pathetic. In fact, it goes a long way towards reducing the property tax burden for the people of Maine. This bill is one of a package of legislation sent forth from the committee. It is one piece of a group of interconnected bills that must be sent forth from this legislature in order to provide the type and level of property tax relief that we are aiming for and that the people of Maine expect. Were it not for the fact that these other changes that will come before us require amendments to the Maine Constitution, I believe that all of them would be here in this committee amendment to L.D. 1, for they are intricate parts of the plan developed by the committee.

More to the point of my remarks, I am sure that you have had various summaries of the committee amendments, so I won't take a lot of time to summarize the contents of the committee amendment. I will, instead, remark on the major aspects of the amendment.

The amendment addresses some of the same programs that were offered to us, the committee, and to the legislature by the Chief Executive. The Joint Select Committee put its own stamp on the bill by subtracting some items, by adding others, and by, in many instances, altering those that remain. The sum is, we believe, a stronger and more comprehensive property tax reform bill.

First, the committee amendment greatly enhances two property tax relief programs that currently exist, the circuit breaker program and the homestead exemption. The enhanced circuit breaker, with the changes made in this amendment, will help over 90% of Maine homeowners if their property taxes rise above 4% of their income. The expanded homestead exemption helps all Maine homeowners. These two programs provide direct property tax relief to Maine's citizens.

Additionally, the committee amendment increases the State's contribution towards the cost of K-12 education by more than $250 million over the coming biennium. It puts the finishing touches on the essential programs and services method of calculating education costs, a method that has been developed by the past two legislatures. This additional state funding for education provides broad brush property tax relief. This was the first chance we've had to see how the EPS works in reality. As was anticipated some years ago, we saw a need to help some school administrative units transition to the new formula. This committee, working closely with the Department of Education, put forth a plan for transition assistance to prevent school units from experiencing sudden drops in state support. This transition adjustment is necessary as we shift from the unaffordable GPA funding model to the defined and fundable EPS model. L.D. 1 as amended also provides additional funding for revenue sharing to the program that directs assistance to municipalities with higher mil rates.

Finally, in order to ensure that additional education money goes towards property tax relief rather than into additional spending and to highlight the importance of tax relief, the amendment enacts spending caps on all levels of government; state, county, municipal, and school administrative units. The caps are stringent but reasonable. They have been crafted with an eye on uniformity. That is, they are as alike as possible for all levels of government and there are provisions to override the caps in extraordinary circumstances or when a majority of decision makers vote to do so through a very public, very open, and very informed process and vote.

Some would say that this bill does not do enough for the people of Maine. While I agree that there is more work to be done in alleviating the per capita tax burden in this state, I see this as the first giant step towards that goal. My fellow colleagues, with the success of this package of legislation, I truly believe that we will, collectively, have the inspiration, the courage, and the will to tackle the remaining aspects of our tax burden.

In as much as I would like to have offered a proposal to you that would have provided comprehensive tax reform to Maine citizens, I know now that it would have, at best, been impossible and at worse would have resulted in no solution at all. This committee Majority Report does provide the opportunity for us to finally take the first positive step necessary on our journey to comprehensive tax reform. I urge you to join me and the Joint Select Committee in taking this historic first step. I urge you to vote yea on the motion to accept the Majority Ought to Pass as Amended report.

Madame President, thank you again for this opportunity you have given me. Men and women of the Senate, seldom will we have the opportunity to enact such revolutionary legislation as presents itself to us today. Maine is looking to us. Maine is depending on us. Maine awaits our vote. Thank you, Madame President.

On motion by Senator **GAGNON** of Kennebec, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

On motion by Senator **NASS** of York, Senate Amendment "G" (S-8) to Committee Amendment "A" (H-1) **READ.**

**THE PRESIDENT:** The Chair recognizes the Senator from York, Senator Nass.

Senator **NASS:** Thank you, Madame President, men and women of the Senate. Senate Amendment "G" to Committee Amendment "A", the majority report on L.D. 1, strikes all except part "E"; the circuit breaker proposal. It is probably familiar to

everyone in this room, it is the so-called tax payer bill of rights model, patterned after a successful effort in the State of Colorado. It is substantially different from what Colorado did. What we have done is write a version that is very Maine-friendly.

Without going into a great deal of detail, it does control growth and expenditures for the General Fund, the Highway Fund, other special revenues, quasi-governmental organizations, local municipal governments, counties, and school districts. It is very broad in nature. It's been very effective in Colorado. It sets up spending caps that are certainly more stringent than provided in L.D. 1, typically 2/3 by referendum. It has spending caps that are very similar to L.D. 1. Those things have been discussed in this body and in the committee as part of the process for L.D. 1 for a number of weeks now.

Madame President, without going into greater detail, it is interesting to note that the fiscal note on this does save the State of Maine a considerable amount of money from the proposal now in front of us. We offer this for your consideration.

On further motion by same Senator, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

Senator **DAMON** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "G" (S-8) to Committee Amendment "A" (H-1).

Supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

**THE PRESIDENT**: The Chair recognizes the Senator from Kennebec, Senator Gagnon.

Senator **GAGNON**: Thank you, Madame President, men and women of the Senate. I would really like to applaud the Joint Select Committee on their work and hope that we would Indefinitely Postpone this effort to undermine some of their work, the great bi-partisan work, that has been going on. The proposal that is before us, this floor amendment, would create something that the people of Maine have already rejected. It is very similar to the Palesky proposal that was presented some time ago. This has the type of severe and devastating cuts to a lot of the services that are provided to the people of the State of Maine that were rejected last November. The types of cuts that we are talking about look great on the surface in terms of the amount of money that is saved. We have to remember that the bulk of money that comes through state government is passed along to citizens and is passed along to municipal governments in many ways. This would be devastating, absolutely devastating, to the roads of this state, which are critical to us, being a rural state. We are having a hard time finding companies to come to this state and try to get products in and out of this state. This would devastate the Highway Fund.

It would devastate some of the important safety nets that we already have established in this state, particularly for our elderly, underprivileged people, and our handicapped folks. What this effort is primarily all about is tax reform. What I have been hearing about is elderly people who are not able to stay in their homes. Here we are going to implement a program that would force them, almost immediately, out of their homes and into a program that will have no funding. You can envision elderly folks being left in wheelchairs in hallways, not getting the attention that they need.

There has been some very important work done by this legislature over the years. The beauty of this proposal before us, that the good Senator has presented in L.D. 1 and the committee report, is that we are able to preserve a lot of those important safety nets. We are able to provide the property tax relief we want. We are able to provide additional funding for education, which we've all wanted to do for many years. They cleverly use many of the tools that were in the toolbox. In my years in the Taxation Committee I always believed that the tools that were in the toolbox, circuit breaker, homestead, and revenue sharing, are all different tools for property tax relief and for tax relief. They use every single one of those tools in creating this ultimate product, just like a builder would use a variety of tools to build a home. I think this is more than a foundation. I think this goes far beyond what my hopes were at the end of last session and the beginning of this session. I think it is incredible work. I thank those committee members. I hope that we do not destroy the work that they have done, devastate many of the other programs that we have already established for the good people of this state, and that we Indefinitely Postpone this proposal. Thank you.

**THE PRESIDENT**: The Chair recognizes the Senator from Aroostook, Senator Martin.

Senator **MARTIN**: Thank you, Madame President and members of the Senate. Two brief points. Let's not forget that essential program review actually is state law. This amendment would do away with all the changes that the committee has done and made to give us a better essential program review within the Department of Education for our school funding. Secondly, it eliminates $13 million that we have in the committee amendment for tax relief.

**THE PRESIDENT**: The Chair recognizes the Senator from York, Senator Nass.

Senator **NASS**: Thank you, Madame President, men and women of the Senate. I do agree and I should have addressed this in my prior remarks to indicate my appreciation for the effort that the committee made. I was on the Taxation Committee in the last session and I have a feeling for how difficult it is to develop tax reform. However, this amendment has been mischaracterized, Madame President. It is not about cutting anything. It's about controlling growth. That's the beauty about what Colorado did. Forward looking. We don't have to talk about cuts for brain injured people or for people in nursing homes. Some of these may be familiar to you, they were in the last budget. None of that is on the line here. We're talking about the growth in spending in all these government funds. You'll notice in the list that I spoke of before that the only one missing from that list was Federal funds. Every other fund that the state controls, where we take money in and we spend it out, would come under these reasonable caps. It's all about the growth. It's not about cutting anybody's benefits at this point. That is our only hope for the future in this state to do anything about our situation. The fact that spending almost always outstrips our revenue gets us into the trouble we are in. It's forward looking, no cuts, controls the growth in spending. Thank you, Madame President.

**THE PRESIDENT**: The Chair recognizes the Senator from Penobscot, Senator Perry.

Senator **PERRY**: Thank you, Madame President, ladies and gentlemen of the Senate. It's a pleasure to address you today. I want to thank you for the opportunity to have served on this committee. I would say that maybe the best part of serving on this committee was the opportunity to sit between the Senator from Hancock, Senator Rosen, and the Senator from Somerset, Senator Mills, for all these meetings. It really was fascinating. We would throw out a lot of ideas and the Senator from Somerset, Senator Mills, would kind of figure out what they all meant and we would move on.

I would just add that this is not a new proposal. It is just an estimate but I would say that between the committee, the Executive Branch, and the Departments, we have probably invested over 10,000 hours in this bill. This idea was thoroughly discussed and heard and was unanimously rejected by the committee. Not even the Minority Report suggests that we should move forward in this fashion. We have spending caps and overtime we will achieve significant property tax reduction. Thank you.

**THE PRESIDENT**: The Chair recognizes the Senator from Cumberland, Senator Brennan.

Senator **BRENNAN**: Thank you, Madame President, men and women of the Senate. I'd like to just follow up on the comments of the good Senator from York, Senator Nass. I think his comment was that this is our best hope for the future based on the experience in Colorado. I just want to say, based on what I know about Colorado, this is not a future that Maine wants. The spending caps in Colorado and the approach the Colorado voters have taken to state spending, at very best, have had mixed results and in many cases have been very detrimental results. In fact, the spending caps in Colorado have in some ways failed so miserably that even the Governor of Colorado has now come out with proposals to repeal those spending caps. One example of what has happened in Colorado with their spending caps is that in order to circumvent those spending caps they have instituted a voucher system with their university system. I don't think that's a future that we want in Maine, where we will turn our university system into a voucher system. In fact, in Colorado there have been significant cuts to key programs in health, nursing homes, and for the elderly. To somehow pretend that the future of Maine can look like the future of Colorado by passing this, it is not a future that I want to see for Maine. I hope you will reject this amendment and support the pending motion. Thank you.

**THE PRESIDENT**: The Chair recognizes the Senator from Aroostook, Senator Martin.

Senator **MARTIN**: Thank you, Madame President. To the good Senator from York, Senator Nass, it is something I just can't let go by. First, let's not forget there is $13 million that would not be expended towards property tax relief that is in this amendment. You can read it in the fiscal note. Secondly, and even more interesting, what happened in Colorado, and the result of what happened in Colorado in the last few years, resulted in something unbelievable. The citizens of Colorado elected a Democratic House and Democratic Senate.

**THE PRESIDENT**: The Chair recognizes the Senator from Cumberland, Senator Bromley.

Senator **BROMLEY**: Thank you, Madame President. I want to begin by congratulating the committee on their tireless work and thank you for bringing us the committee amendment. I also want to note that I agree with the good Senator from York, Senator Nass, on one thing. Expenses exceeding revenues is a problem. However, we cannot cut our way into prosperity. I'm going to repeat that. We cannot cut our way into prosperity. We have to talk about growing our economy. The things that would not be available to us, the investment that we absolutely have to make in our economy, would not be possible if we were to pass this amendment. I'll give you a very small example. The small community of Millinocket is investing money in small business incubation because they know that the future of their economy is not going to depend only on their mill. It has taken money to do that. Were we to do what this amendment asks us to do, we would not have money to invest in our economy. Expenses exceeding revenues is a problem. There is a lot of spending reform in what's before us and I applaud that and hope you will all support that. How are we going to invest in our economy, how are we going to grow our economy, if we were to enact this amendment? We couldn't. All of us in this room that have made investments in ourselves and our families and our children, how do we do that? We invest in our health. We invest in our education. We invest in opportunities. That's absolutely exactly what we need to be doing in this chamber for the people of Maine, for my children, for your children, and our constituents. I urge you to support the pending motion.

**THE PRESIDENT**: The pending question before the Senate is the motion by the Senator from Hancock, Senator Damon to Indefinitely Postpone Senate Amendment "G" (S-8) to Committee Amendment "A" (H-1). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

ROLL CALL (#5)

**YEAS:** **Senators: BARTLETT, BRENNAN, BROMLEY, BRYANT, COWGER, DAMON, DIAMOND, GAGNON, HOBBINS, MARTIN, MAYO, MITCHELL, NUTTING, PERRY, ROSEN, ROTUNDO, SCHNEIDER, STRIMLING, SULLIVAN, THE PRESIDENT - BETH G. EDMONDS**

**NAYS:** **Senators: ANDREWS, CLUKEY, COURTNEY, DAVIS, DOW, HASTINGS, MILLS, NASS, PLOWMAN, RAYE, SAVAGE, SNOWE-MELLO, TURNER, WESTON, WOODCOCK**

20 Senators having voted in the affirmative and 15 Senators having voted in the negative, the motion by Senator **DAMON** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "G" (S-8) to Committee Amendment "A" (H-1), **PREVAILED**.

On motion by Senator **DOW** of Lincoln, Senate Amendment "D" (S-5) to Committee Amendment "A" (H-1) **READ**.

**THE PRESIDENT**: The Chair recognizes the Senator from Lincoln, Senator Dow.

Senator **DOW**: Thank you, Madame President, ladies and gentlemen of the Senate. I believe the EPS is and will be for some time a fine instrument for new school funding. I think it will be a superior funding model. However, the citizens of the State of Maine, in voting in the June 8th referendum, voted under the old rules of GPA. The L.D. 1 proposal is in EPS language. I do not believe that the 55% EPS is the same as the 55% GPA, the rules of which we are now under. 55% under the old formula is a higher amount in dollars than is represented by the 55% EPS. The net effect is that 55% EPS only represents about 52% of the GPA, the rules under which the June 8th amendment was voted on by the citizens. All of my calculations show that 58% of EPS is closer than the amount of money the people thought they were voting for. The net effect, again, is that 55% of this vote people thought they were voting for will not translate into the proper amount of tax relief in the end, that is by the year 2010. My calculations show that the communities in Maine will be short a total of about $80 million. That is all communities in Maine, whether that be large or small. They will not be getting what they voted for. The people voted for 55% under the old formula. This amendment helps to and attempts to give them that level of funding, not in percentages but in the real dollars that the old formula represented.

I'd bring your attention to this crude drawing I made. It's actually to scale. What we did in translating from GPA to EPS is we just transferred the percentage across the aisle. What we should have translated across was the amount. If you take that amount and then apply the formulas to it, the formulas being the amounts that it is going to represent in the future years using 2.5% inflation, by the time you get to 2010 you are about $80 million short of what the original figures would have been using GPA.

This amendment attempts to bring, in dollars, the correct amount across. Every community in Maine will benefit from this. This will represent a greater tax relief in property taxes to all communities, not just service centers but also to all the small communities that have school systems. Therefore, I would like to present this amendment. I urge you to support this amendment.

On further motion by same Senator, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

**THE PRESIDENT**: The Chair recognizes the Senator from Hancock, Senator Damon.

Senator **DAMON**: Thank you, Madame President. I rise in opposition to the amendment posed by the good Senator from Lincoln, Senator Dow.

Same Senator moved to **INDEFINITELY POSTPONE** Senate Amendment "D" (S-5) to Committee Amendment "A" (H-1).

**THE PRESIDENT**: The Chair recognizes the Senator from Kennebec, Senator Gagnon.

Senator **GAGNON**: Thank you, Madame President, men and women of the Senate. I congratulate the good Senator from Lincoln, Senator Dow, a Freshman Senator who has been able to understand GPA formula and EPS formula, particularly the GPA formula, which is something that I have not been able to understand after almost 8 years in the legislature, and to be able to come up with such exact figures. We know that the vote last June involved majority funding of education and the people voted for that. I'm not, so if folks followed the equations and understood it to the detail that even we tried to understand it. I'd also like to point out that clearly the folks who are involved with pushing the referendum prior to the end of last session, the Maine Municipal Association and the Maine Education Association, understood when they put the proposal together that there would be a new formula, that EPS was in the works, it was being created, and in fact we passed it last session. They understood that. In fact, at the end of last session, they supported the 55% funding at the EPS levels. It was clear that the folks who promoted the referendum, the referendum that I, in fact, supported with certain conditions such as that, understood what we were voting for and understood what 55% meant. 55% of something is what is important. 55% of "we don't know what" is what the problem has been all of these years. Nobody really knew what GPA was. Now to sort of create this block that is going to fit through the round hole is a very difficult thing to do at this point. I would encourage indefinite postponement.

On further motion by same Senator, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

**THE PRESIDENT**: The Chair recognizes the Senator from York, Senator Sullivan.

Senator **SULLIVAN**: Thank you, Madame President and fellow colleagues. Here we are, January, after a vote, now trying to reinterpret what the vote was for. Was it 55% or was it 100% of Special Ed? Was it for immediate? This ramp is for 5 years. It takes us exactly where the minority report said in 2 years. This moves us further away from what we want. It's a way of delaying what the people have asked for. This is not perfect. This amendment certainly is not perfect. If I were to be cynical I could say we have two evils in front of us, one is just more evil than the other. I'd rather be optimistic. I believe that L.D. 1 comes the closest to what is fiscally responsible.

I'd love to have to have a brand new car. However, given my financial situation and the big bucks I get here, I had to settle this past year when my 1995 car had 185,000 miles on it and we were beginning to get what we used to say 'nickel and dime' but in reality was $100 and $150 for repairs bills. I bought a used car from my brother-in-law's business with high mileage for $4,500. I could pay cash. I was very fortunate. I now have a car. It's not what I wanted and L.D. 1 is not completely what I wanted but it is what we could afford and what was fiscally responsible for my family.

What is fiscally responsible for this State of Maine? What is fiscally responsible for the future? Unlike the Federal government, we can't run on a deficit. We can't run up trillions of dollars in deficit. We have to have a balanced budget. We also have an obligation to the children and some voted last year in the 121st legislature to embark on a new way of funding schools. Quite frankly, it was because evaluation of property is not the way

to fund schools. We decided to go on actual enrollment. After 5 years, the state, with David Silvernail and many other people, came up with this essential programs and services. It said 'here's what each child in the State of Maine should be able to have'. It was a baseline. It said that government, the state, had a responsibility to offer this level. If a local community wants to order more, have more, so be it. That's the glory of local control. This is what the state is responsible for. That was public policy. We did public policy for the good of children in every location.

Now, when you make a major change, there are always problems. First of all, people don't like change. I don't like change. I know I don't like change. What L.D. 1 does, and what this amendment doesn't do, is gives some transition money. It won't be here. People, essential services and programs is a done deal. It's off the table. It was done in the last legislature. It's over, it's done with. This transitional money put in helps every single school system. It makes some major changes along the way. It also requires that certain communities live up to a certain expectation of what they should be putting into their future, their children. I would ask you to defeat this amendment and let us get on, let us make history, and let us give every child in Maine, like our learning results say, 'every child the same' regardless of whether you live on the coast or not. Thank you.

**THE PRESIDENT**: The pending question before the Senate is the motion by the Senator from Hancock, Senator Damon to Indefinitely Postpone Senate Amendment "D" (S-5) to Committee Amendment "A" (H-1). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

ROLL CALL (#6)

**YEAS:** **Senators: ANDREWS, BARTLETT, BRENNAN, BROMLEY, BRYANT, COWGER, DAMON, DIAMOND, GAGNON, HOBBINS, MARTIN, MAYO, MILLS, MITCHELL, NUTTING, PERRY, RAYE, ROTUNDO, SCHNEIDER, SNOWE-MELLO, STRIMLING, SULLIVAN, TURNER, WOODCOCK, THE PRESIDENT - BETH G. EDMONDS**

**NAYS:** **Senators: CLUKEY, COURTNEY, DAVIS, DOW, HASTINGS, NASS, PLOWMAN, ROSEN, SAVAGE, WESTON**

25 Senators having voted in the affirmative and 10 Senators having voted in the negative, the motion by Senator **DAMON** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "D" (S-5) to Committee Amendment "A" (H-1), **PREVAILED.**

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**RECESSED** until the sound of the bell.

After Recess

Senate called to order by the President.

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On motion by Senator **COURTNEY** of York, Senate Amendment "C" (S-3) to Committee Amendment "A" (H-1) **READ.**

**THE PRESIDENT**: The Chair recognizes the Senator from York, Senator Courtney.

Senator **COURTNEY**: Thank you, Madame President, ladies and gentlemen of the Senate. This amendment basically does something very simple. It removes the required minimum local contribution from the formula. What that will do is enable us to take this tax reform bill and make it truly a tax reform bill rather than an educational spending bill. I believe that this bill is being sold and put forward to the people across the state as tax reform. It was the Joint Select Committee on Tax Reform and it's my opinion that this money, the $96 million of additional funds, should be used for tax reform and not new additional educational spending at this time.

I can give you an example of my district. I realize that my home district of Sanford is one of the fortunate ones as opposed to my good friend the Senator from Washington, Senator Raye, who is probably not going to make out so well. I guess the reason for that is that we have a lot of hardworking but low income people in Sanford and not a lot of property valuation. These people need tax relief. What this does is sends approximately $4 million back to the Town of Sanford. The problem is that they are at the minimum where the state requires them to stay at for their local contribution. They have to continue to raise that, so most of the new revenues of $4 million in tax relief, approximately $2.7 million will have to go for new spending. It will have to go for new spending because they will not meet the minimum local requirement.

I thought it was the whole thing, so there is some tax relief going there. I think that this makes this somewhat palatable. I think that if we're going to take $96 million and put it into tax relief, we need to use it for tax relief. I know having served on the Taxation Committee in the last session over in the other body that we would have killed for $96 million. I know the good Senator from Portland would have liked it and probably would have found some use for it. I think that tax reform could have been accomplished with $96 million.

I think as you go out and look at the 2 year ramp. We're not going to a 2 year ramp, obviously, at this point. As this is implemented, one of the implications as you move forward to full funding is that you require municipalities, not just Sanford, to raise local spending. I think giving this option to every municipality and every district in the state could be a terrific tool and we could really provide tax relief.

There are some that may say that we are going to be short changing our children because we're not spending what the state says and essential services and programs says you are doing. I contend that the essential services and programs model, while it was a good intention and I voted for it 2 years ago, is a work in progress. It's flawed. There are flaws throughout it. I don't believe that there is one person in this room that could say the essential programs and services is a perfect model. It's a start. It's a start to identify costs. I still think that we need to let that decision remain at home and let the towns and municipalities make that decision. I would respectfully request that you consider this and consider it not just for now but for the future of your towns. Thank you, Madame President.

Senator **DAMON** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "C" (S-3) to Committee Amendment "A" (H-1).

On further motion by same Senator, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

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The Chair noted the absence of the Senator from Penobscot, Senator **PLOWMAN** and further excused the same Senator from today's Roll Call votes.

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**THE PRESIDENT**: The Chair recognizes the Senator from Aroostook, Senator Martin.

Senator **MARTIN**: Thank you, Madame President and members of the Senate. I rise because in many ways Sanford is a lot like the S.A.D. that I represent. In terms of the tax effort, we are making it to a greater degree than Sanford. In terms of economic basis, it is pretty much the same. The way the law works and has worked is if a community fails to raise the minimum required, whatever that may be under the old law or under this new law, then the state doesn't put in as much money. Under the formula presently devised right now before us, since Sanford does not raise the 8.26 that about 95% of all of the towns and cities in Maine presently will be doing, if this amendment were to be adopted they would not have to raise the minimum money in order to get the $4 million.

I would be sympathetic to the amendment if Sanford didn't want the $4 million and they left us the $4 million so we could spread it elsewhere. This basically does it both ways. You don't need to raise your base of quality of education municipally and then you still get the money to do whatever it is you want to. It's the best of both worlds if you can do it. This is the amendment, I suspect, that most people would be accusing me of doing. Getting the money without doing anything in return. I congratulate the Senator from York, Senator Courtney, but I can't buy it unless we take the $4 million back. Obviously, I will be supporting the motion to indefinitely postpone.

**THE PRESIDENT**: The Chair recognizes the Senator from York, Senator Courtney.

Senator **COURTNEY**: Thank you, Madame President and men and women of the Senate. To the good Senator from Aroostook, Senator Martin, thank you. It's an honor, well maybe not that much of an honor.

In Sanford we do actually raise the 8.26 and because of the essential programs and services requirement the new money is actually going to go into additional spending. Poor Jim Rier at Education. I spent a lot of time with him and he's been good enough to try to explain this to us, as we've all had an additional crash course on the educational funding formula. I think that what the good Senator has mentioned is that this is really the clear thing on this bill. It's not a tax relief bill, in many cases it's an education funding bill. It's an avenue for new monies to go into educational spending. I think if we're going to do that I think we ought to tell the people of the state that we are going to raise what we're putting into education and we're not going to be putting the money into tax relief. I think that the pie is only so big. You're taking $96 million and putting it into what is called and touted as tax relief. Yet when you create new spending with tax relief dollars than you are not being completely straight forward with the people. No matter how I end up voting on this final bill, I want it to be real clear to people that it is not a tax relief bill. It's an educational funding bill with some crumbs left over.

We heard earlier that this is not perfect but it is not pathetic. I believe that the people of Maine deserve a lot more than not pathetic. Thank you, Madame President.

**THE PRESIDENT**: The pending question before the Senate is the motion by the Senator from Hancock, Senator Damon to Indefinitely Postpone Senate Amendment "C" (S-3) to Committee Amendment "A" (H-1). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

ROLL CALL (#7)

**YEAS:** **Senators: BARTLETT, BRENNAN, BROMLEY, BRYANT, COWGER, DAMON, DIAMOND, GAGNON, HOBBINS, MARTIN, MAYO, MILLS, MITCHELL, NUTTING, PERRY, RAYE, ROSEN, ROTUNDO, SCHNEIDER, STRIMLING, SULLIVAN, THE PRESIDENT - BETH G. EDMONDS**

**NAYS:** **Senators: ANDREWS, CLUKEY, COURTNEY, DAVIS, HASTINGS, NASS, SAVAGE, SNOWE-MELLO, TURNER, WESTON, WOODCOCK**

**ABSENT:** **Senator: DOW**

**EXCUSED:** **Senator: PLOWMAN**

22 Senators having voted in the affirmative and 11 Senators having voted in the negative, with 1 Senator being absent and 1 Senator being excused, the motion by Senator **DAMON** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "C" (S-3) to Committee Amendment "A" (H-1), **PREVAILED.**

On motion by Senator **MILLS** of Somerset, Senate Amendment "H" (S-9) to Committee Amendment "A" (H-1) **READ.**

**THE PRESIDENT**: The Chair recognizes the Senator from Somerset, Senator Mills.

Senator **MILLS**: Thank you, Madame President, men and women of the Senate. One of the things that concerned me most about the introduction of this new model for funding of education is how special ed would be treated. This has a long history and an interesting one. Back 10 years ago, in 1995, when the formula for education funding last underwent a dramatic change, the tensions over how to make those changes were so intense that the Education Committee was locked up in some room around here for not days or weeks but literally months. It was my Freshman

year. I had no clue how significant all of it was. It was a matter of significant turmoil. The good Senator from Aroostook, Senator Martin, was one member of that committee. I must say he was fighting gallantly for some of the districts that I care deeply about, the high receiving districts. There were other people on the committee who were interested in introducing something called the income factor into the school funding formula. That was the result of some work done in response to something called the Rosser Commission Report that was published in 1993 or 1994. The concern that I later developed was that the introduction of an income factor into the funding formula had the effect of destroying major elements of equity in the distribution of school funding. That was later proven, I think, to a mathematical certainty by some interesting studies that we have done by Ralph Townsend, who was an economist at the University of Maine in Orono. In order to get that committee out of its room and get a bill out that would be included in the budget of that year, there was a compromise reached which wasn't a particularly good one, in my view, but it was one that we have lived with now for 10 years and we're still living with it in the current formula that distributes money today. The compromise was that this 15% income factor would be injected into what is basically a property tax relief system and transportation funding would be put into the formula as a program cost along with special education. The significant thing about program costs in the current system, and about the only thing you need to know about it, is that once a district spends beyond what they call the circuit breaker level of spending for that district, then the state steps in and picks up nearly all of the residual cost, based on what you spent. You don't get the money for a year or two, and there is a small discount at the top of the factor. You only get about 97% of what you actually spent. The reality is that anything that was considered a program cost was a place where, if you were a Superintendent or are one under the current system, one of your inducements is to figure out ways of allocating costs into these sort of favored categories because you know that if you were a district that operated above the circuit breaker, the effect of that was that the state would be picking up most of your costs.

We have, for the last 10 years, fostered a system where both special ed and transportation together have been, I think, inappropriately managed by this state. We are the ones that created the system. We can't blame the Superintendents for over designating kids on special ed if we're picking up all their costs. Doesn't make any sense. We created those inducements. They are responding to them. They are responding to them in a way that truly represents the best financial interest of their district. Regretfully, the same is true of transportation, which is a great benefit for many districts in the rural areas of the state. Some of these rural areas are running buses up and down the same roads two, four, or six times a day, picking up every little kid next to his own mailbox. It's being done because we created a system that paid for it all above a certain threshold level.

I am celebrating today, in one sense, by saying that we are about ready to say good bye to the old formula because for 10 years I have felt that that formula was deeply flawed and it was the result of a bad compromise. Not that the people that negotiated it didn't do the best they could. They did. It was an inappropriate solution and we've never been able to break it open until adopting this new system of essential programs and services where we collect all kinds of data, and feed it into a computer at the University of Southern Maine. The computer tells us what our average costs are. We make adjustments for the number of roads, dead end roads, lakes and mountains in the way, and we make a transportation model. We take a look at all the teachers and figure out what they should be paid. We take a look at how many people with Masters Degrees you have and make multiples and adjustments and deliver a formula. The great thing about essential programs and services is that the state, on some uniform basis, is delivering, for the first time, to the school board and to the citizens of the school district a number. This is the number that if they spend it in conjunction with their state source, they should be able to deliver at least a barely adequate system of education for the kids in their district, if they spend the money appropriately and wisely. People of a relatively conservative disposition in many school districts have been dying to have such a number at their disposal for many years. I don't necessarily share the relish that many people will greet those numbers with, but nevertheless, it is a way of providing a benchmark, a very useful benchmark, to local citizens so that they can make judgments on their own about how to spend. They will have to be appropriately warned that the amount of money that is being used to gage the education in their district is from mere adequacy. It doesn't do the model intentionally. It undervalues things like co-curricular activities and sports or that sort of thing. It's supposed to be a conservative and very narrow number.

That sets the scene. When I left here last spring, I thought that we had voted for a system where transportation during the summer months was going to be worked into the formula, even though putting transportation into the model takes away from superintendents that I have talked to the power to allocate costs into that category and do what they've been doing for the last 10 years with transportation money. I also came away, however, with the understanding that special ed would be similarly treated, that special ed, the other area where you have over allocation of costs, would be wrapped into this model system, that all the data would be fed into the computer at the University of Southern Maine and they would be spitting back some averages and some costs and defining a budget for local schools and requiring that they be entered into the model so that the funds would be shared, state and local, depending on the districts ability to pay based on its property tax capacity.

Along came the referendum on June 8th that had two components to the question. One was 'do you want to go to 55% funding of schools' and the second component was 'do want the legislature to somehow fund 100% of special ed'. The implication of that question was that the state is somehow at fault for all of the spending on special ed, a fact that local people sometimes resent. Let's be honest. You have 18% of the kids in the State of Maine designated as entitled to special education benefits of one kind or another, almost one in five. You have parents who see one child getting his own tutor or being taught in a group of three, four or five because he's been designated as having a special education need. Meanwhile your child, who isn't designated, doesn't get an IEP, individual education profile, and doesn't get the special tutoring. The system we have builds a certain resentment. The thing I resent about the question that was asked on June 8th was that there was an implication that it was the state's mandate. It didn't say that, but if you read the question you came away from the voting booth thinking 'special ed, the state is making us do it, they should bloody well pay for it.' That was the attitude of those people that may have voted affirmatively on that question, I believe. The truth is, as we know in this chamber, it's a federal mandate that we implemented. In this state, the state has been paying for it and paying for it very

generously for the past 10 years because we picked it up as a program cost and to the extent that there is a lot of spending on special ed. Maybe we've exacerbated it but we paid the bill. It wasn't the locals who were paying the bill for excessive designation of kids on special ed.

When the Governor gave us L.D. 1 he thought to himself, I think, 'there are two kinds of obligations created by the June 8th referendum. One was that we're supposed to go to 55% school funding. I'm not going to do that one. I'll go a quarter of the way this year. I might go half way next year.' As the good Senator from Lincoln, Senator Dow, suggests, we were not going to use the actual spending figures, we're going to use EPS. I happen to think that is the right decision, but it's a lower number than what the towns are actually spending. That's the big promise. 'It's too big a promise for me to fulfill on my watch. I'll let the next Governor, maybe, or the next legislature fulfill the other half of that obligation. We'll do half of it on my watch. Maybe somebody else will get to it. By the way, in order to do it I've got to sell off the lottery.' Then he took the other component of that question, the one that said why don't you go to 100% funding for special ed. He thought 'that's a cheaper promise. I guess I'll keep that one.' Well the problem with that is that it takes something that belongs in a formula, in a model, and that deserves to be controlled, and takes it out of that element, out of that management setting, and it destroys equity in the distribution of school funding. Why? Because the only districts right now that are really paying for most of their special ed costs are the districts who have the taxing capacity to be able to do it, to be able to meet all of their needs at a level that is below 8.26 mils.

If you've got your original spreadsheets you notice that when there was this 100% funding of special ed but only 84% funding of operating costs, when they first popped out of the computer you saw all these red marks in rural Maine and you saw black numbers for many other parts of Maine. It wasn't just black numbers, these were numbers like $3.5 million in some districts. You saw some districts gain 50%, 60%, doubling in a couple of instances the school funding they were receiving all in one year, where you had deep red numbers in many other areas. You had to ask yourself why was that happening? It was because we were keeping the wrong promise. We were funding 100% of special ed, I say to the detriment of good management, while at the same time not keeping the fundamental promise at the root of that referendum which was that they want the state to pick up 55% of school funding and relieve the property tax accordingly.

This amendment, if you vote for it, simply says to put special ed back in the model, which is where I thought we had left it last April and where, frankly, the only reason I believe that this was on the referendum, or included in the referendum, was a pure political gamble to get pick up a few more votes and a few more signatures from some towns that otherwise do not participate in this school funding formula because they have so much capacity to fund their schools using the property tax as a base. I just can't imagine that of the two kinds of obligations that were created by that question on June 8th that we chose to accept the wrong one. We just got it wrong. It started with the Governor's office with L.D. 1 and it has perpetuated in our committee. Did we soften it some? Yes, I will concede that right now. We took the 100% funding for special ed for the minimum receivers down to 84% so that they will have some scale up but it's still there for everybody else, including districts that are fairly well off, and we're leaving it in there as a 100% funding obligation, as a permanent part of the system. I just think it deserves to be part of the model. It deserves to be treated just like transportation costs, just like operating costs, just like electricity and everything else. It ought to be included in the model. That's the whole purpose of this amendment that says 'treat special ed as if it were like any other school cost and put it into the model and let this model work because I firmly believe that a properly designed model of this kind, which I believe is one of the first in the nation, is the future of school funding. I think it's an admirable effort and I don't want to end my comments by detracting from the fine work that's been done to develop that model. I just think we need to put things into the model and let the model do its job. Thank you, Madame President.

Senator **DAMON** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "H" (S-9) to Committee Amendment "A" (H-1).

On further motion by same Senator, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

**THE PRESIDENT:** The Chair recognizes the Senator from Oxford, Senator Hastings.

Senator **HASTINGS:** Madame President, ladies and gentlemen of the Senate, I rise to speak in opposition to the motion to indefinitely postpone and in support of Senate Amendment "H". It's always a pleasure to listen to the Senator from Somerset, Senator Mills, explain the details to us as he does so well. I want to speak to the effects, if I could. As the good Senator from Hancock, Senator Damon, indicated earlier, L.D. 1, as proposed, is proposed as property tax reform. I believe virtually every constituent I have equates property tax reform to property tax relief for him and his community. As we look at L.D. 1, there is no tax relief for western Maine, for most of much of downeast, for many of the rural areas which is sometimes referred to as the second Maine, where the economy is the weakness, the income the lowest, and the poverty rate the highest. These are the areas that need the most help. I want very much to support a property tax reform for those areas as well. I do applaud the efforts of the committee. This was not an easy task. What was presented to us yesterday by the Maine Municipal Association, this graphic depiction of the state that shows the winners and the losers, shows that only 184 of our municipalities are receiving the possibility of a tax relief from L.D. 1. The blue towns will be receiving net funds that can be made available for tax relief. An additional 151 receive essentially nothing, no increase or decrease. Another 154 are the red towns, the towns that receive a net loss. As a result of L.D. 1 their property taxes will be increased. That's 184 benefiting, 302 losing. In my mind, there is something wrong with this, especially when I look at western Maine, the area that I represent. It's a sea of red over there. Twelve of my fourteen towns are in red and many more around it. I find two towns in my fourteen, Fryeburg and Brownfield, that are in the blue and I wonder how that could be. It's not because of L.D. 1 sending any further money to those towns, it's because L.D. 1 forces a redistribution of the local share amongst the eight towns in that SAD. The town of Denmark is getting hit with a $300,000 increase in its property tax requirement. They are funding the property tax relief for Fryeburg and Brownfield. Without that, the entire band of western Maine would be in the red. In my mind, something is wrong with this picture.

I agree with the concept of the essential programs and services model. It's a good one, as the Senator from Somerset, Senator Mills, indicated but something is wrong when my districts, without any of the transitional money, would lose $2.5 million of state funding. These are not wealthy districts. These are not districts with frills. Sacopee, Lakes Region, Fryeburg, and Oxford Hills. These are fairly bare bones districts. Why with $90 million of new funds are so many of my towns and so many of the rural towns suffering? They are suffering because of this, sort of, artificial allocation of so much of the money by taking the special ed portion out of the model. As I understand it, I don't think anybody knows the exact numbers, but I think it was something in the $18 million to $20 million range of money of this $94 million that is being shifted to towns, which indifference to all of you Senators who are receiving this largess, by leaving the special ed out of the formula. Most of my constituents, when they looked at the towns receiving the money and they looked at what's happening to them, they would say that the money is going to the wealthy towns, not to those that need it. That's my problem with this.

The Senator from Somerset, Senator Mills, has pointed out the benefit of putting special ed back into the formula. It will allow much more money to go to those rural towns. It would allow that $20 million to spread among our poorer towns, our rural towns, those with the highest poverty rates. This is what we should be doing. This will allow this map to turn from so much red and I believe you will see much more blue in the farming areas and downeast than you see now. To me it is fair and equitable. I think we need to vote on property tax reform, but for all of the state. We need as much blue on this as possible. We need to get rid of the red. I think this will help to do that. I urge you to vote against the motion to indefinitely postpone and to support the amendment. Thank you.

**THE PRESIDENT**: The Chair recognizes the Senator from Penobscot, Senator Mitchell.

Senator **MITCHELL**: Thank you Madame President. I, too, would like to congratulate the committee but I would also like to congratulate my colleagues in this chamber for struggling with two of the most complex issues that have ever come before us as a body. Nothing is simple about tax relief because the old saying is still true, don't tax him, don't tax me, tax that fellow behind the tree. We all like that saying. We also know that with school funding, you could get a Ph.D. in it and still be at a loss for words when you try to tell the folks back home. In the interest of full disclosure, I live in a rural town, but I represent two service centers and I suspect all of you can claim rural and urban constituents. A famous New England writer once said, 'consistency is the hob goblin of little minds.' Well he would be very proud of us today because we all have very big minds because without meaning to, we are all being terribly inconsistent as we struggle to find the right answer. We have had amendments proposed today which said we must fund 58% because that's what the voters meant when they voted on 1A and yet that same amendment said we'll do it in five years as opposed to two. I respect and understand that but it is inconsistent if you're trying to be really devoted to what the voters said. The good Senator from York, Senator Courtney, stated that this was not just property tax relief. No it isn't. Inconsistent again. It's also about children. The session of this legislature last time around enacted a new program that truly was about educating our children. So don't forget that for a moment. It was to deal with, in a better way, equity for our kids, whether they lived in Washington County or in Ogunquit, to make sure that we defined what it cost. I thought all people who debated that understood that there would be limits on what the state was required to put in and expectations of what local communities were required to pony up, if you will. As a matter of fact, that ceiling, that 8 mil rate that is the maximum that you are going to have contribute from the local share in the long run, creates a lot more equity for a lot more towns and again for the students. Now, if you don't want the $4 million, or whatever it is that you get, you're not required, as I understand it, and I know the good Senator from Somerset, Senator Mills, will correct me if I'm wrong, you simply don't raise the local share and you don't get the money. So you're not required to raise taxes should you choose not to match, but please correct me if I'm wrong on that one. I'm learning too. I'll be the first to admit it.

The other mixed message is there's no tax relief in this bill. There may not be for some of the towns, but there's clearly tax relief for the people. The circuit breaker doesn't go to the town of Vassalboro, the circuit breaker goes to the family that lives in Vassalboro who qualifies. The homestead relief goes to everybody who has a primary resident in your town, even if it doesn't go directly to the town. Then there are caps, as I said, on the required local effort for schools.

Finally, let's go to the amendment before us. I didn't mean to digress so much but it seems that it's very difficult to contain our comments to just the point. I share the good Senators concern that 1A included all special ed costs, for a very cynical reason because many towns get very little in state funding for their schools. If you're a low receiver, to promise you 55% of anything, 55% of nothing is still nothing, so it wouldn't get you very excited about voting for this bill. Then I've thought about it for a long time. The people did vote for that and I'm not standing here today telling you they knew exactly this or that. I have no idea but I know they voted for that and that was very much part of it.

I remember the worst town meeting of my life in Vassalboro, Maine when a family had to sit there and have all the tax watchers look at them in great anger because their child needed a very costly special education placement. I started thinking that maybe we should look at special education a little differently. It often does cost more. It's just luck of the draw where you happen to be born or where you live in the state of Maine. Perhaps it's a more humane system if we see it as a state responsibility, like a community responsibility, instead of on your local property tax dollars. So having thought about it and having gotten past my initial cynicism, it may be a good thing. Let me assure you, if it's not, the joint order we pass today requests, or orders, our committee, the Education Committee, to look at that and we can review it again. If you choose to support this amendment, I hope then, there will be no more speeches about 'we have to fund this in two years' or 'we have to do everything the voters said,' because we're not. We're picking and choosing, but we're doing that for a reason. We're all trying to do the right thing. We're trying to do the right thing within the confines of our budget and within the confines of what we think is the best policy. Let's not blame it on the referendum. Let's say that this is what we can do, this is what we can do responsibly. Again; great, great respect for the Senator from Somerset, Senator Mills. He certainly knows the school issue as well as anybody in the State of Maine and represents rural areas. I always felt very comfortable knowing that he was on the special select committee. The newspaper

articles have continued to say, 'the money is flowing from rural Maine to the cities.' One of the reasons for that is this special education component. It is not EPS as you passed it. If you want to totally change it not, you must recognize you are totally flying in the face of the voters. I would respectfully urge you to indefinitely postpone this amendment, give our committee an opportunity to see if there is a better way to deal with special education.

**THE PRESIDENT:** The Chair recognizes the Senator from Cumberland, Senator Brennan:

Senator **BRENNAN:** Thank you Madame President, men and women of the Senate. I was spellbound by the Senator from Somerset, Senator Mills' speech and his comments, largely because I had the opportunity, along with the Senator from Aroostook, Senator Martin, to serve on the education committee at that time when we were locked behind closed doors with the governor and everybody else trying to come up with the school funding formula. I must say the reason I was spellbound was because the Senator from Somerset, Senator Mills' revisionist view of history certainly differed from mine. Even though I was there, I was hearing what, in fact, happened from somebody who wasn't.

None the less, let me just say a couple of things very quickly. I want to support comments from the good Senator from Kennebec, Senator Mitchell. First, again the Senator from Somerset, Senator Mills, pointed out that he thought there was a huge detour in school funding when we interjected income into the formula and said that Professor Townsend from the University of Orono, with mathematical certainty, concluded that this was an error. Unfortunately, the Senator from Somerset, Senator Mills, didn't read the article that I published in the Maine Policy Review along with Professor Orlando DeLoge from the University of Maine Law School, that refuted Professor Townsends mathematical certainty. I'm sure I'd be more than happy to share that article with you at the end of session. Nonetheless, not to debate whether income was a good idea or a bad idea, I did, for the record, want to make that point.

The simple fact of the matter is, any of us here today could write or rewrite the school funding formula to the advantage of our district and to the disadvantage of somebody else. It's not helpful and it's not beneficial to the students of this state or to the state to pit one community against another community. It is very unfortunate that MMA put out their map with red, blue, white, and color codes saying here's winners and here's losers. In fact now, through the good work of L.D. 1, everybody is gaining money, except those communities that are tuitioning students. I think we've gotten to the point where everybody is at least 'on the plus side.'

Secondly, in L.D. 1, the very issue that the Senator from Somerset, Senator Mills, raised about special education was, in fact, modified so that those communities would be receiving 84% even though every other community in the state will be receiving 100% of the cost of special education.

Lastly, and most directly to the point, the joint order that we did pass this morning and strikes the education committee to go back and look at the special education issue in a reasonable, rational, thoughtful way that does not pit one community against another community, does not say 'how do I rewrite the school funding formula on the floor of the Senate to advantage my community versus some other community' but to do it in a way to benefit all the students of Maine. I think that's the most prudent thing for us to be doing. I'm glad that we've taken that action and I look forward to the work of the education committee as they move forward on this issue. I hope that you will support the motion to indefinitely postpone this amendment.

**THE PRESIDENT:** The Chair recognizes the Senator from Androscoggin, Senator Nutting.

Senator **NUTTING:** Thank you, Madame President, ladies and gentlemen of the Senate. I rise, like probably many of you, with my stomach growling a little bit. I'm going to keep this as brief as possible.

I'm going to be supporting the pending motion, however, I want to compliment the good Senator from Somerset, Senator Mills, and the good Senator from Oxford, Senator Hastings. I agree with what they've said about the wrong promise being honored. When I look at the printouts and I see dozens and dozens and dozens of communities that last year did the whole school budget in totality for four or five mils. They are getting huge increases in school funding because of the special ed. I see dozens and dozens of schools in the fourth and fifth quintile, the poor areas of Maine, getting not one, not two, but three different cushions, getting a small increase in school funding money, hopefully enough to cover the increase and cost of health care and oil bill. I see their mil rates not dropping because of it. I do agree that the wrong promises, tentatively, are being honored because, as the author of this joint resolution, I'm placing great faith and probably will put my name on one of the front seats in front of the committee here coming up in the next few weeks. I think even I will spend a lot of time before the Joint Select Committee. I want to compliment them on their work. When the good Senator from Somerset, Senator Mills, asked Jim Rier from the Department of Education why the special ed was being funded, at that time, at a100% in the first year, while getting to 55% was getting ramped over four years. He said he wasn't sure, really didn't have a clear answer.

I'm going to be supporting the pending motion but I want to say that I do expect a lot from the Education Committee. I think we all do. I think that's the way we should proceed with this particular issue because the way this special ed is being handled is destroying equity in school funding right now not building it.

**THE PRESIDENT:** The Chair recognizes the Senator from Aroostook, Senator Martin.

Senator **MARTIN:** Thank you, Madame President and members of the Senate. Let me just also congratulate the work of the special committee because I think they have done a tremendous job. I think one of the points that I want to make, and in due deference to the good Senator from Oxford, Senator Hastings, in reference to the MMA map of blue and white and gray. The problem is that that was done before the bill was finished. Under the new version, that came out of committee on the 14th, every town that has a school gains. You need to get a printout that illustrates that and was actually printed on the fourteenth at 8:00 P.M. That will clearly demonstrate that the MMA map is incorrect. It was correct at the time it was done. It's simply incorrect now that the committee has finished its work.

So whether you are in a rural area or in a city you are going to be getting relief. That is, I think, unfortunate in terms of what the perception is out there because it's already been said that rural Maine is being adversely affected. I don't represent the

cities of Maine and you can rest assure that I would not be voting necessarily to help my good friends from Cumberland county if it were to the detriment of Aroostook county. I think all of you in this room probably know that anyway. I don't need to tell you.

I think, though, I need to just talk a little bit about school funding because I've been involved in more fights over school funding than probably any other issue in my legislative career. It's unfortunate for freshman that are here this session to have to begin with a formula that half of the superintendents have no clue about. They didn't know about it before, don't know it now, and they're trying to give us advice. Do I have some problems with superintendents? The answer is yes. You all know that as well.

Also keep in mind that in this debate this past year, people were told if we get this we'll have 55%, we're going to fund 55% of schools. 55% of what? I have a constituent my hometown who said 'you're going down and you're going to support that 55% right? We need 55% and we want that money to come to our schools.' That sounds fair enough but they were already getting 65. You want to cut 10% and we'll give it to someone else? There is a perception that every school district in Maine is going to get 55%. Inaccurate. Always has been inaccurate. I don't know how we tell the public that and whether or not they'll ever believe us after this debate. That is a problem. The good Senator from Hancock, Senator Damon, who represents Mount Desert Island and Bar Harbor, gets about 10 cents. Now he'll get more money on this plan because we'll be funding special ed. That makes a difference. I think we need to understand that there is a real problem out there and it's a public perception problem. I urge you to get a hold of the printout. Provide it to your superintendent and ask them if they can explain it to you. I think that is the key. We need to understand that. Many people just look at the bottom line and say we're getting this.

Rural Maine is having problems, my hometown as well. We are losing students. Our numbers are dropping. When I taught at Fort Kent Community High School, we had 950 students. We have 400 today. That's not necessarily because we've lost families. We just don't have families of 15 and 16 kids anymore in the St. John Valley. That's part of it. As the number of students dropped, obviously, we're going to be impacted. We have to find alternate ways to provide quality education in our rural area. That is a real problem. We know what's going on in rural Maine. Many areas are losing families completely because they are moving elsewhere. I know that and they are in my area as well. Now, in my area, we have an in-migration. We are building new homes but it is people returning, retiring and building homes, with no kids. That doesn't give us money under the school formula. There may be some other way we can figure it out. Luckily for us in Aroostook county, we have an awful lot of foster children being brought in by the Department of Human Services. They're coming from central and southern Maine. Obviously, that may help us to some degree.

I could talk about school subsidy and the old formula forwards and backwards without any problem. I don't need to do that today because that formula is dead. It doesn't work any more. We need to move on. Thank you.

**THE PRESIDENT**: The Chair recognizes the Senator from Washington, Senator Raye.

Senator **RAYE**: Madame President and ladies and gentlemen of the Senate, I rise in agreement with the Senator from Somerset, Senator Mills, and the Senator from Oxford, Senator Hastings, on the principle of the amendment. This bill does pick and choose which promises to keep. I'm going to support the pending motion because I am voting to be consistent with the will of the voters. Whether I like it or not, this is part of the bill.

I'd like to respond to the earlier comment, specifically of the Senator from Cumberland, Senator Brennan, in which he noted that we are all winners due to the transition funding. That is a reference only to this next year. I can assure you and the members of this body that my schools in Washington County, when they look at the out years, do not feel like winners. We have to be concerned not only with the one-year impact of this transition funding but the long-term impact of our future funding. Thank you.

**THE PRESIDENT**: The Chair recognizes the Senator from Oxford, Senator Bryant.

Senator **BRYANT**: Thank you, Madame President, men and women of the Senate. I'll be supporting the motion to indefinitely postpone but I did want to bring up two or three things. The Senator from Aroostook, Senator Martin, covered the whole spectrum in a short amount of time. I do want to bring up the point of MMA. I want to call it sandbagging, but I think MMA has convinced rural Maine into the 55% and has convinced them into special ed funding in a false pretense. Before, the funding recognized rural Maine and recognized the problems that we had there. It helped us with that funding. The sheet that got put out later from MMA with the blue and the red didn't take in the circuit breaker or the homestead. It's a little bit of information that really doesn't help rural Maine because I think what rural Maine is now is in a problem where they really didn't have a good debate. We didn't have the real information when people were going to the polls because a lot of our districts were getting funded over 55% to start with. That's why I'm supporting the Education Committee looking at these issues. Give us another chance. We have more knowledge and understanding of the rural issues. Give us a chance to work with them to come up and solve some of these issues. I did want to, for the record, let rural Maine know that some of the issues that they were voting on weren't as clear as some people tried to make them out to be.

**THE PRESIDENT**: The pending question before the Senate is the motion by the Senator from Hancock, Senator Damon to Indefinitely Postpone Senate Amendment "H" (S-9) to Committee Amendment "A" (H-1). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

ROLL CALL (#8)

**YEAS**: **Senators: ANDREWS, BARTLETT, BRENNAN, BROMLEY, BRYANT, COURTNEY, COWGER, DAMON, DIAMOND, GAGNON, HOBBINS, MARTIN, MAYO, MITCHELL, NUTTING, PERRY, RAYE, ROTUNDO, SCHNEIDER, STRIMLING, SULLIVAN, TURNER, THE PRESIDENT - BETH G. EDMONDS**

**NAYS:** **Senators: CLUKEY, DAVIS, DOW, HASTINGS, MILLS, NASS, ROSEN, SAVAGE, SNOWE-MELLO, WESTON, WOODCOCK**

**EXCUSED: Senator: PLOWMAN**

23 Senators having voted in the affirmative and 11 Senators having voted in the negative, with 1 Senator being excused, the motion by Senator **DAMON** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "H" (S-9) to Committee Amendment "A" (H-1), **PREVAILED.**

On motion by Senator **DAVIS** of Piscataquis, under unanimous consent on behalf of Senator PLOWMAN of Penobscot, Senate Amendment "I" (S-10) to Committee Amendment "A" (H-1) **READ.**

**THE PRESIDENT:** The Chair recognizes the Senator from Piscataquis, Senator Davis.

Senator **DAVIS:** Thank you, Madame President. First I would like to tell the Senate the reason that I'm presenting this. The Senator from Penobscot, Senator Plowman, had an asthma attack this morning and she was taken over and admitted to Maine General Hospital, right here in Augusta. The Sergeant-At-Arms took her. He told me a few moments ago that she's going to be fine but the hospital did decide to admit her. I'll do my very best for her and for you guys.

First I would like to thank the committee for the work they did. I sat in my office many days with the speaker on and listened to it. Quite frankly, I've got to tell you that there was many hours that I didn't hear what was being said. It was so tedious and slow moving. I can't imagine. I had the opportunity to appoint two of them to the committee. I hope they don't hold it against me. I would not care to be on that committee. They did a marvelous job. However, as with everything, nothing is perfect.

The amendment that I am presenting has to do with the homestead exemption. I intended to speak to this a little later, but due to the Senator from Penobscot, Senator Plowman's attack, I'm going to speak to my concerns about this now.

What the amendment would do is simply allow the towns a choice of whether they want to keep the current law as it is right now or if they want to accept the expansion. The expansion, as I'm sure you all know, has to be funded by the towns. It is not paid for by the state. 50% of the new homestead exemption will be paid for by the State of Maine and 50% by the towns. I did a little work on it fairly quickly. As you all know, I live in Piscataquis County. You take a $100,000 home in Piscataquis County, and my good friend from Cumberland, Senator Brennan, informs me that there aren't any $100,000 home down there but I assured him that there are. In fact, I have towns in Piscataquis County where that would buy two or three homes. Not in Portland though. I understand that. I have heard twice, and I know they were very sincere with what they said, from the good Senator from Hancock, Senator Damon, and the Senator from Kennebec, Senator Mitchell, that homestead applies to everyone in a positive manner. That's not true. In fact, in the 19 towns in Piscataquis County there are 2 towns in which a person owning a $100,000 home would get a benefit of about $50 and less than $100. In 15 towns it would be below $50. In 2 towns, the town of Milo and the town of Brownville, their taxes would increase. In Milo it would go up $45 and in Brownville I believe it's $29. That's part of the problem, as I see it.

As I see it, the other part is a shift. The non-residential property will have to pick this up. That doesn't mean just the big industries, and I will tell you about a few of the big industries in our state. It means the lady that is running the beauty shop down the street, the barber shop, the Mom and Pop store, and all those places are going to have to pick up this increased mil rate. I did leave one little part out, what the towns have a choice of doing. They can either cut their budgets to accommodate this increase in cost or they can raise their mil rates. I have an idea that what will probably happen is that the mil rates will go up. The little businesses will have to pay for it. The people that own apartment houses and rental properties will have to pay the bulk of the increase in the mil rate. Last night a number of us went over to the Maine Pulp and Paper Association dinner and I had the opportunity to talk to a number of people, as did all of you who went. Amongst others, I talked to the president of the paper mill in Madawaska. I'm not picking on the good Senator from Aroostook, Senator Martin, because he also runs a paper mill in Millinocket and East Millinocket, which I represent. He told me that in Madawaska, if this goes through the way it is, there would be about $.5 million increase in their property taxes. In Millinocket it is $.25 million. I had someone else tell me that in Jay and Bucksport and those mills would see about $100,000 in each mill. That is the industries. Obviously if the taxes are increased, the mill or two mills, the little beauty shop, and the little barber shop that I'm talking about will be effected adversely. All this amendment would do is allow the communities to have a choice of whether they wanted to go forward with this or not. For those reasons, giving them the choice and the reasons I explained, please vote for this. Thank you.

Senator **DAMON** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "I" (S-10) to Committee Amendment "A" (H-1).

Same Senator requested a Roll Call.

**THE PRESIDENT:** The Chair recognizes the Senator from Hancock, Senator Damon.

Senator **DAMON:** Thank you, Madame President. Although I cannot be supporting it at this time, this amendment, quite frankly, does have particular appeal and I'm going to applaud the maker of the motion for that. I do think, however, this idea should be referred to the Taxation Committee and not be attached to this particular bill. I don't want us to disrupt the flow of this bill. We worked at it for as long as we have and we are coming down to the final minutes, hours, and days of it. This amendment in particular does have some appeal to me. It probably would have some appeal to communities who hold on to this notion of local control. I applaud the maker for this, but I will have to be voting in opposition.

On motion by Senator **DAMON** of Hancock, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

**THE PRESIDENT:** The pending question before the Senate is the motion by the Senator from Hancock, Senator Damon to Indefinitely Postpone Senate Amendment "I" (S-10) to Committee

Amendment "A" (H-1). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

ROLL CALL (#9)

**YEAS:** Senators: **BARTLETT, BRENNAN, BROMLEY, BRYANT, COWGER, DAMON, DIAMOND, GAGNON, HOBBINS, MARTIN, MAYO, MILLS, MITCHELL, NUTTING, PERRY, ROTUNDO, SCHNEIDER, STRIMLING, SULLIVAN, THE PRESIDENT - BETH G. EDMONDS**

**NAYS:** Senators: **ANDREWS, CLUKEY, COURTNEY, DAVIS, DOW, HASTINGS, NASS, RAYE, ROSEN, SAVAGE, SNOWE-MELLO, TURNER, WESTON, WOODCOCK**

**EXCUSED:** Senator: **PLOWMAN**

20 Senators having voted in the affirmative and 14 Senators having voted in the negative, with 1 Senator being excused, the motion by Senator **DAMON** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "I" (S-10) to Committee Amendment "A" (H-1), **PREVAILED.**

On motion by Senator **MILLS** of Somerset, Senate Amendment "B" (S-2) to Committee Amendment "A" (H-1) **READ.**

**THE PRESIDENT:** The Chair recognizes the Senator from Somerset, Senator Mills.

Senator **MILLS:** Madame President and men and women of the Senate, if I may speak to this motion briefly. I'll spare you a renewed history of my version of the school funding wars of the 1990's and say that this is the opportunity to keep the undertaking or the obligation, or some have called it a promise, whatever it was that emerged out of the referendum process that the MMA suffered through for a year and a half and the outcome of the vote on June 8th. The major part of that undertaking was to ramp up to 55% school funding as a previous legislature had indicated they would like to do back in 1984, I believe. This amendment, if you vote affirmatively for it, enables you to say that you came down here to get the job done on your watch. Even though the first step that we're taking next year is only one-quarter of the way, this amendment says 'let's go the remaining distance in the second year of the biennium, let's get it done.' This was the thing that people were really voting on June 8th and a year ago November as well. This is what they really wanted. I think most of them had no clear conception of the special education undertaking. They certainly had an understanding that the legislature would, at long last, be trying to keep an expression of intent made almost 20 years ago. I bet you that everybody in this chamber and the other chamber as well, going door to door, ran on the very idea that you would meet the obligation that was created by the June 8th referendum in regard to 55% school funding. I don't see how we can pass a measure like L.D. 1 on that subject and say that we're only going to go one-quarter of the way this year and maybe only half way in the year that follows and leave it to somebody who's not yet elected to complete the job. This is a very simple amendment. It is sweeping but it gets the job done and enables you to say 'I fulfilled the promise I made at your screen door.' Thank you, Madame President.

Senator **DAMON** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "B" (S-2) to Committee Amendment "A" (H-1).

On further motion by same Senator, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

**THE PRESIDENT:** The Chair recognizes the Senator from Cumberland, Senator Diamond.

Senator **DIAMOND:** Thank you, Madame President and thank you, men and women of the Senate for your time. I know that lunch is near. The 55% in two years is something, of course, we all really want to have happen. Like everyone else, I need to congratulate the committee on their hard work and the number of hours and days they spent. I'm especially proud of our own Senators in this very chamber, the Senator from Hancock, Senator Damon; the Senator from Hancock, Senator Rosen; the Senator from Somerset, Senator Mills; and the Senator from Penobscot, Senator Perry. I think they have a great deal of reason to be proud of what they did. To respond to an earlier comment, what they did, though, was something we all heard about. They responded to the people by bringing parties together. Think of it. We have an independent, we have Republicans, and we have Democrats. They all came together in this committee and came out with a result. Now that's a far cry from what we heard last year and in the past of all the partisan bickering and the politicking that I heard in disfavor around my district and around the state. What a change. What a refreshing change. People came together. I'm really proud of that and I think it's something we all can be very proud of. This is the very first step and it's a good first step.

For us to say we're going to jump this thing in two years, we have to say 'how are we going to fund it?' We're going to fund it by raising a tax. I'm not going to be one of those that is going to raise a tax to fund this program. In fact, I don't feel comfortable raising taxes for any reason. I've been hit on the head a little bit by one of my seatmates for having that position, but that's the way I feel about this. I really don't think the people would want us to raise a tax to give them a tax break. We had a press conference downstairs an hour or so ago and we had the Chamber of Commerce, Dana Connors, we had the Coalition for Tax Reform, Dave Flanagan, Chris Hart, and others. We had the AARP. They all were there saying 'support this bill.' A question was asked. 'What about two years?' Dana Connors, representing the Maine Chamber of Commerce and businesses in this state, said, 'that's fine with me, but just don't raise a tax.' I think we have to remember that. We all want it done in two years but if it means raising a tax, some of us can't do that. It's a first step. It's a good first step. I think we ought to move forward with it and I would encourage you all to vote accordingly. Thank you very much for your time. I appreciate it.

**THE PRESIDENT:** The Chair recognizes the Senator from Hancock, Senator Rosen.

Senator **ROSEN**: Thank you, Madame President and members of the Senate. First of all, allow me to just say that it was my pleasure to be one of the four Senate members on the Property Tax Committee. Thank you very much, Madame President and the leadership, for appointing me. It was a unique and interesting experience. I have a topic now for a paper, 'What I Did On My Christmas Vacation.' I enjoyed it very much.

I hope, ladies and gentlemen of the Senate, that you will seriously take a look at this amendment and reject the motion to indefinitely postpone and allow this amendment to go forward. This really is absolutely critical, I think, in terms of responding to the intent and the wishes of the voters in both elections, in November of 2003 and in June 2004. We have the benefit of those two elections. This wasn't a poll. We didn't have a group of people in a room taking a sample. The 121st legislature was called into session, a special session, in August 2003 to consider an alternative plan from the Chief Executive to give the voters a clear, specific choice. I supported that alternative. We laid it before the voters in November and they had three choices; to accept immediate funding to 55%, to accept a staged ramp over several years, or to reject all of the above. They made their choice in November. They reaffirmed it in June. For me, this is crystal clear. I think it is the obligation of this legislature to see that we fulfill that obligation now.

The other reason I support this amendment is because of the very nature of the EPS model that we've been discussing all morning. As we've said, many of us have described it as an adequacy model, a model that is designed to provide what is essential to deliver those eight learning components so that students in Maine schools can succeed and achieve learning results. As an adequacy model, to provide essential programs and services, as other speakers have already described, it is an austere funding base allocation. We take that number and then, in L.D. 1, we promise that in 2009 we'll achieve the goal. In 2009, we will fully fund it. That's too limiting. It creates too much of a restriction on the schools. If we are to be true to the EPS model, we have to ramp it up to 100% recognition, 55% state share, in this session.

The third point is regarding funding. How are we going to fund it? We can't consider this issue because we haven't proposed a funding mechanism. I contend that we're having what is, I think, a rare, exciting, and interesting policy discussion. It's rare because it's the first half of the first month of the first year of the 122nd legislature. What a great opportunity. We can set the policy directives now and if it is the directive of this legislature to achieve property tax relief and to implement EPS and to fully fund it in this legislature, than I'm confident we can do it. Then we will undertake the budget process and the support required to make that happen. Today we're debating and discussing our priorities. It is entirely appropriate to first establish the priority and then we'll work together to discover how we fund it. I hope for those reasons you reject the pending motion and go on to accept this amendment.

**THE PRESIDENT**: The Chair recognizes the Senator from Androscoggin, Senator Rotundo.

Senator **ROTUNDO**: Thank you, Madame President, men and women of the Senate. I'm quite certain that everyone in this chamber would like a faster ramp up. Unfortunately, we don't have the money to do this. The state can't afford to do this in this biennial budget. The price tag on the ramp up, as proposed by the good Senator from Somerset, Senator Mills, is $90 million in the upcoming biennial budget. I contend it's impossible to find another $90 million in the proposed biennial budget without cuts in services to the most vulnerable in our districts. I challenge anyone in this chamber to find that additional funding without reducing services to the elderly and disabled in this state. I would like to remind everyone that these are the very constituents that we probably promised this past fall to continue to provide a safety net for. We need to move forward to deliver property tax relief. We need to move forward to deliver additional school funding and to control spending that we're doing in the state. We have to do this in a fiscally responsible way. Like a family that needs to live within its budget, we can't spend money that we don't have. For this reason, I would ask you to support the motion to indefinitely postpone this amendment. Thank you.

**THE PRESIDENT**: The Chair recognizes the Senator from Kennebec, Senator Cowger.

Senator **COWGER**: Thank you, Madame President and colleagues in the Senate. I, too, want to take this opportunity to thank the work of the committee on both sides of the aisles for the product they have presented to us today. I very strongly support a two-year ramp up, and unlike some of my colleagues, I also support raising the revenue to meet this more rapid commitment to the will of the voters. The voters have clearly asked for us to do this in two years. I support that effort. I do not think this amendment is the appropriate approach. As the good Senator from Androscoggin, Senator Rotundo, has just said, I see this amendment as putting a large hole in our budget and it suggests to me that we need to cut social services to those Maine citizens most in need of those services. I'm not prepared to go in that direction at all. I'm hopeful that we are going to see some legislation come before us, some opportunity that will include a two year ramp with a very responsible funding mechanism attached to it. I will be supporting that legislation. At this time, I do support the pending motion and I hope you will join me in that effort.

**THE PRESIDENT**: The Chair recognizes the Senator from Cumberland, Senator Bartlett.

Senator **BARTLETT**: Thank you, Madame President. I, too, would like to thank the work of the committee, particularly over the holiday season. I rise to speak because I very much appreciate what the good Senator from Somerset, Senator Mills, said earlier in respect to knocking on doors and hearing loud and clear that people want reform and they want it now. I also had the distinction of having a primary campaign in June so I was in the heat of my campaign for that primary while the MMA proposal was being debated. It was on everybody's mind at every door I went to. I came here bound and determined to try to find a way to include a two-year ramp, if not an immediate imposition of that 55% grant. I also heard loud and clear when I was at doors that people were frustrated by what was happening in Augusta. They were frustrated that things weren't getting done. They asked me, 'how in the world are you going to be able to go up there and accomplish anything? How are you going to be able to achieve tax reform?' There are two keys to getting it done. The first is that it has to be the first order of business that the Senate takes up. I'm very proud to say that it is the first major piece of legislation that I will have an opportunity to vote on. The second

thing is that we need people to come to the table with the spirit of compromise, to be willing to make some concessions for the larger good, to find something that everybody can support. The reality was that we could not find a two year ramp that included some funding mechanism or combination of spending cuts that would meet the approval of the majority of this body and our colleagues down the hall. I greatly appreciate the spirit behind this amendment and I wish we could find a way to ramp up to 55% as part of this legislation. I also have great respect for what the joint committee did and for the spirit of compromise that those 15 people brought to the table. It is in that spirit that I will be voting in favor of this motion to indefinitely postpone. Thank you.

**THE PRESIDENT**: The Chair recognizes the Senator from York, Senator Nass.

Senator **NASS**: Thank you, Madame President, men and women of the Senate. I think it's too easy today to just say to reject this because we can't pay for it. I believe we can pay for it quite easily. There is $70 million in revenue in addition to what was projected for this current year. That's $70 million surplus. We get the report every month. Next year the projection is for $95 million more. I would ask you why are asking the question, 'what are we going to do with that money?' Why can't we give tax relief with that money through a two year ramp up as the voters have suggested? We're getting some hint of what the Administration wants to do with the $70 million, they've kind of revealed pieces of it. Why aren't we looking for other places to fix those problems? Vacant positions, at any one time there are 200, 300, or maybe as high as 600 vacant positions in state government. Why aren't we asking the question, 'can't we find that kind of money someplace else?' It's relatively small in the size of the state budget. Projected revenue surpluses. What are we going to do with the money? Are we going to just let it be frittered away to fix problems that Administration has suggested are problems? Are we going to require this Administration to fix those problems without using any of this projected additional revenue? Those are the questions, Madame President, that I am concerned about. We can pay for this easily. Thank you.

**THE PRESIDENT**: The Chair recognizes the Senator from Penobscot, Senator Schneider.

Senator **SCHNEIDER**: Thank you, Madame President, men and women of the Senate. I rise in support of the indefinite postponement and I'd like to speak to you about my own position and also thank the committee for their tireless work. I did spend many of my days with that committee, either in person at the committee meetings themselves or on line, listening to the debate. I can tell you, from my own perspective, I wanted nothing more than a two year ramp. I'm very grateful that I spent my time with that committee because I believe that they also wanted a two year ramp. I saw them come together, recognizing the difficulty in meeting that obligation of the two year ramp. Financially, I believe, it would be fiscally irresponsible to do that. I'm glad that some of us feel that there is such an amount of surplus money to deal with. I've been told we have about $.5 billion shortfall. I'm not going to take that money from senior citizens or from people with injuries, the most needy of our population. I don't believe that your communities would want that either.

I sat on a town council back in the 1990's and wanted the state to meet its' obligation for the 55%. We were in much better financial times. As a town councilor, I believed they would take 55% of the school budget and meet that amount of money, whatever that was in any given town. I think the notion of 55%, from a citizen's perspective, is 55% of whatever their town is paying. I think with this notion of 55% and the ramp up we can go back to our communities with our heads held high and feeling good about the four year ramp because it's fiscally responsible. It's the right thing to do. I guarantee you that those same communities, if we did ramp this up in two years, would see cuts other places that would be not palatable at all to them. I, along with the Joint Select Committee, have come to the conclusion that a two year ramp is just is not possible at this time. If we were in good financial shape, as a state, maybe we could meet that goal. I don't believe we can do that and be responsible to the citizens of this state. I am supporting an indefinite postponement.

**THE PRESIDENT**: The Chair recognizes the Senator from Cumberland, Senator Brennan.

Senator **BRENNAN**: Thank you, Madame President, men and women of the Senate. I've heard people talk about obligations, about promises, and about priorities. This debate is about all three of those. What we have here is an obligation that's two fold. The Senator from Somerset, Senator Mills, talked about the obligation that we have to fulfill the will of the voters in June. We do have that obligation and I take that obligation, along with everybody else here, very seriously. We also have another obligation to all those people that depend on state government and depend on those services, that can't mount referendums, that can't put hundreds of thousands of dollars to put referendums before the voters to say 'fund my program or give me 100% of something.' We have an obligation to them, to keep faith with them, to do what is fair, and to do what is right. In this biennium budget we will get to 50% funding of essential programs and services by the end of this biennium. The last time that the state was at 50% funding of education was in 1991. For the first time in 14 years we're going to get back to 50% funding. We've been in the 40's, as low as 42% or 43%, in the 1990's. We're going to get to 50% in two years. I think that is showing good faith and I think that is showing our obligation to what the voters voted on in June.

We've also heard several people talk, with great eloquence, about the impact of going to a two year ramp, the cost of that, and the cuts that we would have to make to programs in this state. In the 121st legislature, I was the only person who served on both the Health and Human Services Committee and the Education Committee. I'd go to the Education Committee and people would say we have to get to 55% and we have to provide more money for higher education and for our community college system. In fact, there were many people who were very upset about the fact that we're only going to put $10 million or $12 million more in education and flat fund the university system. Then I had to go back over to the Health and Human Services Committee and tell a mother who said that their child was experiencing depression and had become suicidal that we have a budget crisis here and budget problems and have to cut that service. Not reduce or flat fund, we had to cut that service. We'd have to talk to people from nursing homes and say, 'sorry, we don't have enough money to fund you and it was unfortunate that there were waiting lists for health care.' I, along with all of you, feel very strongly about the obligation that we have with the elderly people in this state, with the young people in this state, with children in this state, and families in this state. We need to maintain that obligation. What

L.D. 1 does is fulfill both of those obligations in a responsible way. It allows us to give 50% funding for education and at the same time it maintains our obligation that we have to the most vulnerable people in this state. I don't see us as breaking faith with people. I don't see us as making a choice of one or the other because we never, as a state, move forward when we pick one group of people over another group of people. We always benefit, as a state, when we move together, collectively. What L.D. 1 does is allow us to move together collectively by fulfilling our obligation to education and at the same time fulfilling our obligation to all those other citizens of this state that rely on critical services in order to be meaningful members of our community. I hope that you will support this motion to indefinitely postpone this amendment.

**THE PRESIDENT**: The Chair recognizes the Senator from York, Senator Courtney.

Senator **COURTNEY**: Thank you, Madame President, ladies and gentlemen of the Senate. I guess I'd like to remind some of the Senators that were here at the end of last session on that infamous night that lasted into the morning of the following day and how the tax reform piece kind of collapsed. Eighteen of the Senators in the majority and one Senator who used to be in the minority held a press conference. They told the people of Maine that their proposal for tax reform was to support 1A and 1A required the 55% educational funding. Now there is a vote with an opportunity to do so and it seems that it is no longer palatable. I guess that is the thing about tax reform, it's always palatable if you don't have to pay for it. When it comes time to pay for it, then it's a little bit more difficult. Thank you, Madame President.

**THE PRESIDENT**: The Chair recognizes the Senator from Kennebec, Senator Gagnon.

Senator **GAGNON**: Thank you, Madame President, men and women of the Senate. I was one of those Senators who helped have that press conference and I did want to remind the Senate that at that press conference our support for that question was contingent on a slower ramp. In fact, it was over a five year period, as I recall.

**THE PRESIDENT**: The Chair recognizes the Senator from Penobscot, Senator Schneider.

Senator **SCHNEIDER**: Thank you, Madame President, men and women of the Senate. I'm probably one of the few people who would actually put my money where my mouth is and support a tax increase, a sales tax increase, but I don't believe we have enough Senators on the other side of the aisle to accomplish that. We have a Governor who promised no tax increase. That's why I came to the conclusion that I did and I believe that the Joint Select Committee came to that conclusion. There wasn't the support there. You either have to raise a tax or you have to make cuts. Those cuts, I guarantee you, would come back in a horrible way and they would rear their ugly heads in front of you by your citizens in your communities because it is inevitably going to impact seniors and children in your area, no matter what the area. I wanted to speak on that issue and let you know that I would support a sales tax increase but I don't believe we have the support on the other side of the aisle nor do I believe we have Gubernatorial support. Thank you, Madame President.

**THE PRESIDENT**: The Chair recognizes the Senator from Somerset, Senator Mills.

Senator **MILLS**: Madame President and men and women of the Senate, just a small point. I think everyone is aware that the proposed amendment that lies before you does not contain within it a proposed method of funding or any cuts proposed, nor is there in it any proposal for sale of any of the state's revenue sources, I must hasten to say. I think we will have an opportunity later today, or perhaps on Tuesday, to discuss a very similar measure that would have a suggested funding mechanism. Thank you.

**THE PRESIDENT**: The pending question before the Senate is the motion by the Senator from Hancock, Senator Damon to Indefinitely Postpone Senate Amendment "B" (S-2) to Committee Amendment "A" (H-1). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

ROLL CALL (#10)

**YEAS:** **Senators: BARTLETT, BRENNAN, BROMLEY, BRYANT, COWGER, DAMON, DIAMOND, DOW, GAGNON, HOBBINS, MARTIN, MAYO, MITCHELL, PERRY, ROTUNDO, SCHNEIDER, STRIMLING, SULLIVAN, THE PRESIDENT - BETH G. EDMONDS**

**NAYS:** **Senators: ANDREWS, CLUKEY, COURTNEY, DAVIS, HASTINGS, MILLS, NASS, NUTTING, RAYE, ROSEN, SAVAGE, SNOWE-MELLO, TURNER, WESTON, WOODCOCK**

**EXCUSED:** **Senator: PLOWMAN**

19 Senators having voted in the affirmative and 15 Senators having voted in the negative, with 1 Senator being excused, the motion by Senator **DAMON** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "B" (S-2) to Committee Amendment "A" (H-1), **PREVAILED.**

**THE PRESIDENT**: The motion before the Senate is Adoption of Committee Amendment "A" (H-1). The Chair recognizes the Senator from Franklin, Senator Woodcock.

Senator **WOODCOCK**: Thank you, Madame President, ladies and gentlemen of the Senate. Since today is the day for rhetoric, I'll add some of my own. First I'd like to compliment the committee and its chair, the good Senator from Hancock, Senator Damon, for their work on what is virtually an impossible task. It is impossible for two reasons. First, today is the 20th of January. That date should seem important to some people. Secondly, we disagree, philosophically. For us to be able to come together and agree at this moment in time is a challenge unto itself. I think the attempt was made. I do believe, very strongly, that a move towards EPS and away from GPA is critical for this state. However, I'd like to share a concern with you, if I might. My

profession is education. I am more than a little concerned because what we have labeled as essential programs and services also indicates that we have non-essential programs and services. I will now label the remainder of these services as NPS. We know what's included in NPS. I'm saying for you today, from my 26 years of experience in education, we're wrong. There are many students in this state who must have what we have excluded, who demand what we've excluded. They do not receive it as essential and we do not feel it is essential. They will leave school.

In my profession of education, we have unique opportunities. We assess immediately. We give you a test. You pass, you fail, you throw it in the waste basket, you say 'my dog ate it.' We seldom have that opportunity in this body. Today we have a unique opportunity for assessment. We are going to vote on a bill that will be assessed by the voters of Maine, not today but on tax bill day. I have heard about the organizations who have come here to support L.D. 1. It's curious to me. An example is the AARP. They're here promoting L.D. 1 today. I love the t-shirts, by the way. Oddly enough, during the committee process, they extended a position paper to members of the committee saying that they would like to see a quicker ramp for funding, 'as quickly as possible.' I wonder how the AARP was cushioned.

Today is a day for rhetoric. Tax bill day will the day for proof. I'm hard pressed to conclude that this bill will benefit rural Maine. I've heard statistics from both sides of the aisle. I've heard statistics from both perspectives. I don't know if we know yet and that's part of the problem, that's part of the concern that we have. I have heard today, I have witnessed today, from our vote on the Joint Resolution, that EPS is indeed flawed. It must be the conclusion that we have to draw. We should send it back to the Education Committee for more examination. I've heard today, in an earlier debate, that many would favor a choice of a homestead exemption, but we couldn't vote for that at this time. I've heard today that 55% funding is essential over a two year period, but we don't have the money. If we're wondering about EPS, we're wondering about a homestead exemption, and we're wondering about a two year ramp, why are we wondering about our vote? Today is a day for rhetoric. We are about to 'fulfill our obligation to the citizens of Maine.' Tax bill day will decide whether we have done so. I urge your opposition to the motion.

**THE PRESIDENT**: The Chair recognizes the Senator from Washington, Senator Raye.

Senator **RAYE**: Thank you, Madame President, ladies and gentlemen of the Senate. I had hoped to rise today in support of the amendment that the Senator from Androscoggin, Senator Nutting, had planned to offer to remove the essential programs and services formula from the bill before us and send it back to the Education Committee for improvements. It would have been a strong, affirmative, and unequivocal message, rejecting the flawed formula contained in the EPS model. The Joint Order we passed today, while laudable, does not achieve the same end because EPS remains the basis of the bill. I was not a member of the legislature when the EPS model was approved, but in talking with many others who were, it is clear that most would not have predicted the devastating outcome for rural areas that has become evident through its inclusion in L.D. 1. Few Mainers would expect us to include it as the basis for tax relief, a model that almost nobody understands and even the Commissioner of Education acknowledges needs to be fixed. In my county of Washington, the initial result of a bill that infused $250 million in new funding into Maine's education system was a net loss of well over $2 million. Let me repeat that, because it might not have sounded right to you, $250 million in new education funding and a net loss of over $2 million for Washington County. The supreme irony in that is that, of all 16 counties, Washington County gave the strongest support to passage of question 1A by a vote of 64.5% to 35.5%. Washington County residents went to the polls and voted decisively for increased state funding of education and lower property taxes. As a result of the inclusion of the EPS formula in the property tax reform legislation, many Washington County voters will see neither. Instead the state will reduce education funding for our schools and property taxes, in many instances, will go up, or at best, stay the same. How could this happen? The EPS formula gives great weight to valuation. Along Washington County's coast valuations are soaring. There is another important factor at play that is given no weight and that is the ability to pay. Even as valuations soar along the coast of Washington County, incomes remain the lowest of the 16 counties. The good news is that not only this body but also the Education Commissioner recognizes that there is a serious problem with the formula. The Commissioner has told me on multiple occasions that the formula is not working for rural areas, especially coastal rural areas like those found in my county. She has acknowledged the formula needs work. The bad news is that, despite this acknowledgement, this flawed formula remains the cornerstone of L.D. 1. It is, in my view, a fatal flaw in the bill, not only for my part of the state but also for rural communities across the state.

Madame President, having said this, I do want to recognize, acknowledge, and commend the work of the committee. I sat through many of their work sessions. I know the commitment which the chairman, the Senator from Hancock, Senator Damon, showed and the other members of the committee; the Senator from Hancock, Senator Rosen, the Senator from Penobscot, Senator Perry, the Senator from Somerset, Senator Mills, and the House members. It was hard work, and even though I rise in opposition, I appreciate what they put into it and I welcome the transition funding contained in statute and included in L.D. 1 by the committee. It is enormously helpful in offsetting the devastating losses for next year. Unfortunately, it is a short-term solution. It does not belay the concerns about the long-term impact of the EPS formula. Nobody at the Department of Education can even venture a guess about where our schools will be at the end of a four year ramp. All we have to go on is the impact we can see in the first two years under this formula. That gives me great pause. New spreadsheets distributed by the Commissioner Tuesday shows that year two will also hit many of rural schools hard. We don't know what the transition funding level might be in year two, but there is one thing we know for sure, it will be less than that made available in year one. It's part of a so-called bridge. The only problem is we're being asked to pass a bill when we don't know where that bridge will lead. We are being asked to go on faith that it will all work out in the end. As I stand here, representing the hard working people of Senate District 29, I cannot rely on blind faith and sympathetic assurances, no matter how genuine, of what might happen in the future. As one gravely concerned about the impact of a flawed formula, a poor fit for a rural state, the one unequivocal opportunity to register my dissatisfaction was the amendment to remove EPS from the bill.

Madame President, as much as I support property tax reform, I am troubled by the package before us. While I applaud portions of it, including the circuit breaker, I am disappointed in other pieces, including the half-funded homestead changes and the lack of a meaningful cap on state spending. I have to look at the package as a whole and I have to consider the context that brought us to that point. L.D. 1's reliance on a four year phase in to reach 55% of education funding is precisely what the voters of Maine rejected. Our debate here today is a direct result of that vote. It was the will of the voters who have brought us to this place. The 121st legislature failed to provide property tax relief. The succession of legislatures failed to fulfill the long broken promise of 55% of the cost of education. The voters spoke loud and clear. They gave us their guidance. Regrettably, the package before us second guesses those voters and fails to honor their intent. In the case of most of the downeast Maine communities I represent, it falls short of fulfilling their desire, expressed through the ballot box, for increased state funding of education and lower property taxes. The analysis prepared by the Maine Municipal Association shows the education funding and revenue sharing portions of the bill will contribute towards tax relief for 184 municipalities in this state while providing no relief, or actually pressuring property taxes upwards, in another 302 communities. The bulk of the communities I represent fall into those latter two categories. As much as I would like to cast a vote in favor of property tax reform, I cannot, in good conscience, vote in support of a package that includes the flawed EPS formula and its inherent bias against rural schools, including the institutionalization of salary disparities for our teachers. The responsible course of action would have been to remove or correct that formula before passage, not include it in the bill with just a chance of being corrected at a later date and it must honor the intent of Maine's voters. The bill before us does neither. I cannot give it my support.

The Senator from Penobscot, Senator Mitchell, said earlier today that it's about equity for the children, whether they are in Washington County or in a wealthy part of the state. On behalf of the children of Washington County, I implore you to reject this measure. Thank you.

**THE PRESIDENT:** The Chair recognizes the Senator from York, Senator Sullivan.

Senator **SULLIVAN:** Thank you, Madame President and fellow colleagues, this has been a lot about if only, want to be, should have been, could have been, must have been. My colleagues in the other chamber used to laugh at me and it got to a point where I would stand up and begin every single speech with 'I am an educator' because they wanted to hear that and I would have disappointed them. I wasn't going to do that here for the other good Senator from York, Senator Courtney. However, I was pleased somebody from your side of the aisle decided to say he was an educator and I am an educator, almost as many years. I like the analogy of a test. You know, when it's test day you have studied the night before, or you haven't studied the night before. You have managed to watch your favorite program in lieu of. Whatever it is, it's test day. When you walk into my class, I expect you to be ready to take the test. Today is test day. We've had 40 days to work on this. We've sent our brightest people together, without regard to party. They worked long and hard. I also listened to much of the debate. Here we are with a test. The test is a simple one-word answer question. Certainly would meet the Maine Learning Results because it doesn't do a lot of things like open-ended questions or anything. This is a simple one. Yes or no. It is very hard for politicians to answer yes or no. Today, my fellow colleagues, is the day we answer yes or no. You can go on record, you can anything you want, but I remind you of two things; first of all, the school funding would have happened regardless of what we do standing here. It doesn't make any difference if you like or you didn't like it or anything else. It passed and it would have happened. Yes, it would have happened with rural, if you want to argue rural and city and all of these things. It would have happened. In order to be fairer, this committee struggled with, and went back on the second floor and pleaded to put millions of dollars in to make this bridge, as I believe it was referred to, at least completed to the other side. It doesn't drop those communities in the middle of the water. It takes you across to the other side. It would have happened. The other piece is, yes, some people will get more tax relief than others on the school side, but this was about property tax. The funding is funding for schools. The property tax is our homestead and our circuit breaker and all of those things. We have put down Joint Orders in order to let everybody know here, in a Joint Order, that this will go back to the Education Committee and it will fine-tune it. It needs to happen, but it is the law, people. So it is test day. Two possible answers, yes or no. Do you get a 100 or a 50? You get a zero if you don't do anything. We did that last year, some of us did. I'm going to go on what I hope will be a 100. There is no guarantee. I was once told there are only two guarantees in life; death and taxes. Isn't it unique that I'm sitting here saying we're going to try to reduce at least one of those guarantees? I will push green to pass this. I'll have either a 100 or a 50, but you know what, I won't have a zero. I will take part in democracy and I will vote this bill up or down. I believe that a great journey begins with a first step. This is the first step and there are many steps to go, but we have to crawl before we walk or run. It's infancy and it's simple. Please take the test, yes or no. Remember the school funding would have happened. For those of you who are concerned about your rural areas, if this fails you have no transition money, even for a year. That's serious. Thank you.

**THE PRESIDENT:** The pending question before the Senate is Adoption of Committee Amendment "A" (H-1). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

ROLL CALL (#11)

**YEAS:** **Senators: BARTLETT, BRENNAN, BROMLEY, BRYANT, COURTNEY, COWGER, DAMON, DIAMOND, GAGNON, HOBBINS, MARTIN, MAYO, MILLS, MITCHELL, NUTTING, PERRY, ROTUNDO, SAVAGE, SCHNEIDER, STRIMLING, SULLIVAN, TURNER, THE PRESIDENT - BETH G. EDMONDS**

**NAYS:** **Senators: ANDREWS, CLUKEY, DAVIS, DOW, HASTINGS, NASS, RAYE, ROSEN, SNOWE-MELLO, WESTON, WOODCOCK**

**EXCUSED: Senator: PLOWMAN**

23 Senators having voted in the affirmative and 11 Senators having voted in the negative, with 1 Senator being excused, Committee Amendment "A" (H-1) **ADOPTED**, in concurrence.

Under suspension of the Rules, **READ A SECOND TIME** and **PASSED TO BE ENGROSSED AS AMENDED**, in concurrence.

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All matters thus acted upon were ordered sent down forthwith for concurrence.

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Out of order and under suspension of the Rules, the Senate considered the following:

**ORDERS**

**Joint Order**

On motion by Senator **MARTIN** of Aroostook, the following Joint Order:

S.P. 110

ORDERED, the House concurring, that the Joint Rules be amended by amending Joint Rule 206, subsection 1 to read:
1. Number; Governor's Bills. A bill, resolve, order, resolution or memorial may have up to 10 sponsors: one primary sponsor, one lead cosponsor from the other chamber and 8 cosponsors from either chamber. By mutual agreement the presiding officers may authorize additional cosponsors on a case-by-case basis. Each bill or resolve requested by the Governor or a department, agency or commission must indicate the requestor below the title.

; and be it further

ORDERED, that the Joint Rules be amended by amending Joint Rule 310, subsection 5 to read:

5. Committee Voting. The committee clerk shall prepare the committee jacket or jackets following the vote and obtain signatures from committee members as required. If all members are not present for the vote, the bill must be held until the following periods have expired.

A. If any member is absent from the State House and the State Office Building at the time of the vote, that member's vote may be registered with the clerk up until noon on the 2nd business day following the vote.

B. If any member is absent from the committee at the time of the vote but present in the State House or the State Office Building, that member's vote may be registered with the clerk up until 5:00 p.m. on the day of the vote.

A member may ~~abstain~~ be excused from voting only for a conflict of interest under Joint Rule 104.

Except for a motion to adjourn, a question may not be decided and official action may not be taken in the absence of a quorum.

No committee vote on a bill may be taken after 10:30 p.m. or before 7:30 a.m. unless authorized by the presiding officers. If the presiding officers provide this authorization, they shall notify the other members of the Legislative Council concurrently.

**READ.**

**THE PRESIDENT:** The Chair recognizes the Senator from Aroostook, Senator Martin.

Senator **MARTIN**: Thank you, Madame President. Very quickly, there were two changes that the Joint Rules Committee dealt with yesterday. The first one, basically, puts into rule what has been going on the last couple of years. At the present time, if you want to sponsor a bill beyond the number allowed the presiding officer would say to go ahead and sign off. The rule never provided for that. What this does is to provide for that opportunity so that if you want to go beyond the eight sponsors then you can ask the presiding officer to let you do it. This provides for that.

The second basically deals with what happens when you are in committee. This would provide an opportunity so that if you wished to be excused because of a potential conflict of interest the jacket would so reflect it. The clerk would simply write in that you are excused from voting pursuant to Joint Rule 310, subsection 5, because of a potential conflict.

On motion by Senator **MARTIN** of Aroostook, **PASSED.**

Ordered sent down forthwith for concurrence.

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Senate at Ease.

Senate called to order by the President.

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**RECESSED** until the sound of the bell.

After Recess

Senate called to order by the President.

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Off Record Remarks

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**PAPERS FROM THE HOUSE**

**House Paper**

Bill "An Act To Establish the Pine Tree Recreation Zone" (EMERGENCY)

H.P. 143 L.D. 192

Committee on **TAXATION** suggested and ordered printed.