

## 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 X, §§2 to 4, is repealed.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 X, §6, is repealed.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.

**3. Baseline General Fund revenue.** "Baseline General Fund revenue" means the recommended General Fund revenue forecast reported by the Revenue Forecasting Committee in its December 1st report of even-numbered years, increased by the estimated amount of net General Fund revenue decrease, if any, for all enacted changes reduci state and local tax burden included in that forecast.

**4. Biennial base year appropriation.** "Biennial base year appropriation" means:

A. For the 2006-2007 biennium, the General Fund appropriation enacted for fiscal year 2004-05 as of December 1, 2004; and

B. For subsequent fiscal years, the amount of the General Fund appropriation limitation for the current year as of December 1st of even-numbered years.

**5. Commissioner.** "Commissioner" means the Commissioner of Administrative and Financial Services.

**6. Forecasted inflation.** "Forecasted inflation" means the average amount of change of the Consumer Price Index for the calendar years that are part of the ensuing biennium forecasted by the Consensus Economic Forecasting Commission in its November 1st report of even-numbered years.

**7. 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 revenue and other available resources in each state fiscal year.

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

**9. State and local tax burden.** "State and local tax burden" means the total amount of state and local taxes paid by Maine residents, per \$1,000 of

income, as determined annually by the State Tax Assessor based on data from the United States Department of Commerce, Bureau of Census and Bureau of Economic Analysis.

**§1532. Maine Budget Stabilization Fund**

**1. Generally; stabilization fund established.**

The Maine Budget Stabilization Fund is hereby established. Amounts in the stabilization fund may not exceed 12% of total General Fund revenues in the immediately preceding state fiscal year and,

except as provided by section 1533, may not be reduced below 1% of total General Fund revenue in the immediately preceding state fiscal year. For the purposes of this subsection, at the close of a fiscal year, "immediately preceding state fiscal year" means the fiscal year that is being closed.

**2. Expenditures from fund.** Except as otherwise provided in this section, amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall.

**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.

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

**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 equal to the investment earnings that otherwise would have been credited to the stabilization fund.

**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, the State Fire Marshal or the Director of Maine Emergency Medical Services and after consultation with the State Budget Officer.

**§1533. Declaration of budget emergency**

If the Legislature has adjourned sine die prior to the close of a fiscal year and the commissioner has provided notification as required by section 1668 that indicates that available General Fund resources will not be sufficient to meet General Fund expenditures, the commissioner may declare a budget emergency. At the close of the fiscal year,

the State Controller may transfer from the available balance in the stabilization fund to the General Fund Unappropriated Surplus up to the amount necessary to increase total General Fund resources for that fiscal year to be equal to General Fund expenditures. For the purposes of this section, the Governor may reduce the stabilization fund below the 1% minimum threshold established by section 1532. The Governor shall inform the Legislative Council and the joint standing committee of the Legislature having

jurisdiction over appropriations and financial affairs immediately upon such transfers from the stabilization fund.

**§1534. General Fund appropriation limitation**

**1. Establishment of General Fund appropriation limitation.** As of December 1st of each even-numbered year, there must be established a General Fund appropriation limit for the ensuing biennium. The General Fund appropriation limit applies to all General Fund appropriations, except that the additional cost for essential programs and services for kindergarten to grade 12 education under Title 20-A, chapter 606-B over the fiscal year 2004-05 appropriation for general purpose aid for local schools is excluded from the General Fund appropriation limitation until the state share of that cost reaches 55% of the total state and local cost.

A. For the first fiscal year of the biennium, the General Fund appropriation limitation is equal to the biennial base year appropriation multiplied by one plus the growth limitation factor in subsection 2.

B. For the 2nd year of the biennium, the General Fund appropriation limit is the General Fund appropriation limitation of the first year of the biennium multiplied by one plus the growth limitation factor in subsection 2.

**2. Growth limitation factor.** The growth limitation factor is calculated as follows.

A. For fiscal years when the State Tax Assessor has determined that the state and local tax burden ranks in the highest 1/3 of all states, the growth limitation factor is average real personal income growth, but no more than 2.75%, plus average population growth.

B. For fiscal years when the state and local tax burden ranks in the middle 1/3 of all states, as determined by the State Tax



Assessor, the growth limitation factor is average real personal income growth plus forecasted inflation plus average population growth.

**3. Exceeding General Fund appropriation limitation; extraordinary circumstances.** The General Fund appropriation limitation established in subsection 1 may be exceeded for extraordinary circumstances only under the following circumstances.

A. The extraordinary circumstances must be circumstances outside the control of the Legislature, including:

(1) Catastrophic events such as natural disaster, terrorism, fire, war and riot;

(2) Unfunded or underfunded state or federal mandates;

(3) Citizens' initiatives or other referenda;

(4) Court orders or decrees; or

(5) Loss of federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

B. The appropriation limitation in subsection 1 may be exceeded only by a vote of both Houses of the Legislature in a separate measure that identifies the extraordinary circumstance and the intent of the Legislature to exceed the appropriation limitation.

C. Exceeding the appropriation limitation established in subsection 1 permits appropriations to exceed the appropriation limitation only for the period necessary to address the extraordinary circumstance and does not increase the base for purposes of calculating the appropriation limitation for future years.

**4. Increase in appropriation limitation.** The appropriation limitation established in subsection 1 may be increased for other purposes only by a vote of both Houses of the Legislature in a separate measure that identifies the intent of the Legislature to exceed the appropriation limitation.

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

Baseline General Fund revenue, as recommended by the Revenue Forecasting Commission and authorized in

accordance with chapter 151-B, and other available budgeted General Fund resources 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.

**§1536. Excess General Fund revenues**

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 revenue received over accepted estimates in that fiscal year and transfer that amount at the beginning of the next fiscal year as follows:

A. Thirty-two percent to the stabilization fund;

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

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

2. Additional 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 an amount equal to the balance remaining of the excess of total General Fund revenue received over accepted estimates in that fiscal year that would have been transferred to the Reserve for General Fund Operating Capital pursuant to paragraph C had the Reserve for General Fund Operating Capital not been at its statutory limit of \$50,000,000.

3. Exceptions; stabilization fund at limit. If the stabilization fund is at its limit of 12% of General Fund revenue of the immediately preceding year, then amounts that would otherwise have been transferred to the stabilization fund pursuant to subsections 1 and 2 must be transferred to the Tax Relief Fund for Maine Residents established in section 1518-A.

**Sec. A-6. 5 MRSA §1664, last ¶,** as enacted by PL 2003, c. 451, Pt. X, §8, is amended to read:

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the

~~General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in section 1665, subsection 1, plus the average forecasted inflation rate limitation established in section 1534. For purposes of this paragraph, "average forecasted inflation rate" means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the Revenue Forecasting Committee pursuant to chapter 151 B. This appropriation 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; citizens' initiatives or referenda that require increased state spending; court orders or decrees that require additional state resources to comply with the orders or decrees; and sudden or significant increases in demand for existing state services that are not the result of legislative changes that increased eligibility or increased benefits. The Governor may designate exceptional circumstances that are not explicitly defined in this paragraph but meet the intent of this paragraph. For purposes of this paragraph, "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.~~

**Sec. A-7. 5 MRSA §1665, sub-§1**, as amended by PL 2003, c. 451, Pt. X, §9, is further amended to read:

**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 or 2.75%, whichever is less. 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 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 ~~shall~~ 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.

All departments and other agencies receiving or desiring to receive state funds from the Highway Fund shall 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 or 2.75%, whichever is less. The Highway Fund highway and bridge improvement accounts are exempt from this spending limitation.

**Sec. A-8. 5 MRSA §1710-F, sub-§4** is enacted to read:

**4. Appropriation limitation.** The committee shall make all determinations necessary to make the appropriation limitation calculations required under chapter 142.

**Sec. A-9. 5 MRSA §13063-C, sub-§4, ¶B,** as amended by PL 2003, c. 451, Pt. X, §10, is further amended to read:

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 ~~1513~~ 1532.

**Sec. A-10. 5 MRSA §17253, sub-§3,** as enacted by PL 1995, c. 464, §15, is amended to read:

**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 the employer contribution rate of any excess General Fund revenues transferred to the Retirement Allowance Fund pursuant to section ~~1517~~ 1532.

**Sec. A-11. 5 MRSA §22001, sub-§13,** as enacted by PL 2001, c. 439, Pt. T, §5, is amended to read:

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

**Sec. A-12. 25 MRSA §1612, sub-§7,** as amended by PL 2003, c. 451, Pt. X, §13, is further amended to read:



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

**Sec. A-13. 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.

**Sec. A-14. Application of appropriation limit; 2006-2007 biennium.**

This Part applies to fiscal biennia beginning on or after July 1, 2005. The appropriation limit for the 2006-2007 biennium must be established based on the status of the factors for calculating the growth limitations as of December 1, 2004.

**PART B**

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

**§706-A. Limitation on county assessments**

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

A. "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.

B. "County assessment" means total annual county appropriations reduced by all resources available to fund those appropriations other than the county tax.

C. "Forecasted inflation" means the average amount of change of the Consumer Price Index for the calendar years that are part of the ensuing biennium forecasted by the Consensus Economic Forecasting Commission in its November 1st report of even-number years.

D. "Property growth factor" means the percentage equivalent to a fraction established by a county, whose denominator is the total valuation of all municipalities, plantations

and unorganized territory in the county, and whose numerator is the amount of increase in the assessed valuation of any real or personal property in those jurisdictions that became subject to taxation for the first time, or taxed as a separate parcel for the first time for the most recent property tax year for which information is available, 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.

E. "State and local tax burden" means the total amount of state and local taxes paid by Maine residents per \$1,000 of income, as determined annually by the State Tax Assessor based on data from the United States Department of Commerce, Census Bureau and Bureau of Economic Analysis.

2. County assessment limit. Except as otherwise provided in this section, a county may not in any year adopt a county assessment that exceeds the county assessment limit established in this subsection.

A. The county assessment limit for the first fiscal year for which this section is effective is the county assessment for the county for the immediately preceding fiscal year multiplied by one plus the growth limitation factor pursuant to subsection 3.

B. The county assessment limit for subsequent fiscal years is the county assessment limit for the preceding year multiplied by the growth limitation factor pursuant to subsection 3.

C. If a previous year's county assessment reflects the effect of extraordinary, nonrecurring events, the county may submit a written notice to the State Tax Assessor requesting an adjustment in its county assessment limit.

3. Growth limitation factor. The growth limitation factor is calculated as follows.

A. For fiscal years when the State Tax Assessor has determined that the state and local tax burden ranks in the highest 1/3 of all states, the growth limitation factor is average real personal income growth but no more than 2.75%, plus the property growth factor.

B. For fiscal years when the state and local tax burden ranks in the middle 1/3 of all states, as determined by the State Tax Assessor, the growth limitation factor is the

average real personal income growth plus  
forecasted inflation plus the property growth  
factor.

**4. Adjustment for new state funding.** If the State provides net new funding to a county for existing services funded in whole or in part by the county assessment, other than required state mandate funds pursuant to section 5685 that do not displace current county assessment expenditures, the county shall lower its county 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 the county assessment, less the product of the following: the amount of such funds received in the prior fiscal year multiplied by the growth limitation factor described in subsection 3. If a county receives net new funds in any fiscal year for which its county assessment limit has not been adjusted as provided in this subsection, the county shall adjust its county assessment limit in the following year in an amount equal to the net new funds.

**5. Exceeding county assessment limit; extraordinary circumstances.** The county assessment limit established in subsection 2 may be exceeded for extraordinary circumstances only under the following circumstances.

A. The extraordinary circumstances must be circumstances outside the control of the county budget authority, including:

(1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;

(2) Unfunded or underfunded state or federal mandates;

(3) Citizens' initiatives or other referenda;

(4) Court orders or decrees; or

(5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

B. The county assessment limit may be exceeded only as provided in subsection 7.

C. Exceeding the county assessment limit established in subsection 2 permits the county assessment to exceed the county assessment

limit only for the year in which the extraordinary circumstance occurs and does not increase the base for purposes of calculating the county assessment limit for future years.

**6. Increase in county assessment limit.** The county assessment limit established in subsection 2 may be increased for other purposes only as provided in subsection 7.

**7. Process for exceeding county assessment limit.** A county may exceed or increase the county assessment limit only if approved by a vote of a majority of all the members of both the county budget committee or county budget advisory committee and the county commissioners.

Unless a county charter otherwise provides or prohibits a petition and referendum process, if a written petition, signed by at least 10% of the number of voters voting in the last gubernatorial election in the county, requesting a vote on the question of exceeding the county assessment limit is submitted to the county commissioners within 30 days of the commissioners' vote pursuant to this subsection, the article voted on by the commissioners must be submitted to the legal voters in the next regular election or a special election called for that 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 county commissioners and entered upon the county records.

**8. Treatment of surplus; reserves.** Any county tax revenues collected by a county in any fiscal year in excess of its county assessment limit, as determined by a final audited accounting, must be transferred to a county tax relief fund, which each county must establish, and used to reduce county assessments in subsequent fiscal years. Nothing in this subsection limits the ability of a county to maintain adequate reserves.

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



**Sec. B-2. Application.** This Part applies to county fiscal years that begin on or after July 1, 2005.

**Sec. B-3. Retroactivity.** This Part applies retroactively to July 1, 2005.

### **PART C**

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

**§5721-A. Limitation on municipal property tax levy**

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

A. "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.

B. "Forecasted inflation" means the average amount of change of the Consumer Price Index for the calendar years that are part of the ensuing biennium forecasted by the Consensus Economic Forecasting Commission in its November 1st report of even-number years.

C. "Property growth factor" means the percentage equivalent to a fraction established by a 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 that became subject to taxation for the first time, or taxed as a separate parcel for the first time for the most recent property tax year for which information is available, 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.

D. "Property tax levy" means the total annual municipal appropriations, excluding assessments properly issued by a county of which the municipality is a member and amounts governed by and appropriated in accordance with Title 20-A, chapter 606-B, appropriated as the local

share of the cost of essential programs and services under Title 20-A, chapter 606-B, to pay assessments properly issued by a school administrative unit or tuition for students or amounts attributable to a tax increment financing district agreement or similar special tax district, reduced by all resources available to fund those appropriations other than the property tax.

E. "State and local tax burden" means the total amount of state and local taxes paid by Maine residents per \$1,000 of income, as determined annually by the State Tax Assessor

based on data from the United States Department of Commerce, Census Bureau and Bureau of Economic Analysis.

**2. Property tax levy limit.** Except as otherwise provided in this section, a municipality may not in any year adopt a property tax levy that exceeds the property tax levy limit established in this subsection.

A. The property tax levy limit for the first fiscal year for which this section is effective is the property tax levy for the municipality for the immediately preceding fiscal year multiplied by one plus the growth limitation factor pursuant to subsection 3.

B. The property tax levy limit for subsequent fiscal years is the property tax levy limit for the preceding year multiplied by the growth limitation factor pursuant to subsection 3.

C. If a previous year's property tax levy reflects the effect of extraordinary, nonrecurring events, the municipality may submit a written notice to the State Tax Assessor requesting an adjustment in its property tax levy limit.

**3. Growth limitation factor.** The growth limitation factor is calculated as follows.

A. For fiscal years when the State Tax Assessor has determined that the state and local tax burden ranks in the highest 1/3 of all states, the growth limitation factor is average real personal income growth but no more than 2.75%, plus the property growth factor.

B. For fiscal years when the state and local tax burden ranks in the middle 1/3 of all states, as determined by the State Tax Assessor, the growth limitation factor is the average real personal income growth plus forecasted inflation plus the property growth factor.

**4. Adjustment for new state funding.** If the State provides net new funding to a municipality for existing services funded in whole or in part by the property tax levy, 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 in part by the property tax levy,

less the product of the following: the amount of such funds received in the prior fiscal year multiplied by the growth limitation factor described in subsection 3. If a municipality receives net new funds in any fiscal year for which its property tax levy limit has not been adjusted as provided in this subsection, the municipality shall adjust its property tax levy limit in the following year in an amount equal to the net new funds.

**5. Exceeding property tax levy limit; extraordinary circumstances.** The property tax levy limit established in subsection 2 may be exceeded for extraordinary circumstances only under the following circumstances.

A. The extraordinary circumstances must be circumstances outside the control of the municipal legislative body, including:

(1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;

(2) Unfunded or underfunded state or federal mandates;

(3) Citizens' initiatives or other referenda;

(4) Court orders or decrees; or

(5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

B. The property tax levy limit may be exceeded only as provided in subsection 7.

C. Exceeding the property tax levy limit established in subsection 2 permits the property tax levy to exceed the property tax levy limit only for the year in which the extraordinary circumstance occurs and does not

increase the base for purposes of calculating  
the property tax levy limit for future years.

**6. Increase in property tax levy limit.** The  
property tax levy limit established in subsection 2  
may be increased for other purposes only as provided  
in subsection 7.

**7. Process for exceeding property tax levy limit.** A municipality may exceed or increase the property tax levy limit only by the following means.

A. If the municipal budget is adopted by town meeting or by referendum, the property tax levy limit may be exceeded by the same process that applies to adoption of the municipal budget except that the vote must be by written ballot on a separate article that specifically identifies the intent to exceed the property tax levy limit.

B. If the municipal budget is adopted by a town council or city council, the property tax levy limit may be exceeded only by a majority vote of all the elected members of the town council or city council on a separate article that specifically identifies the intent to exceed the property tax levy limit. Unless a municipal charter otherwise provides or prohibits a petition and referendum process, 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 question of exceeding the property tax levy limit is submitted to the municipal officers within 30 days of the council's vote pursuant to this paragraph, 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 that 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.



**8. 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 limits the ability of a municipality to maintain adequate reserves pursuant to section 5801.

**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 extra-curricular  
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 ~~exceeds~~ 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 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 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):



<u>Total</u>	cost	by
<u>municipality</u>		<u>Municipal local</u>
		<u>contribution</u>
<u>Town A (\$amount)</u>		<u>Town A</u> <u>(\$</u> <u>am</u> <u>ou</u> <u>nt</u> <u>)</u>
<u>Town B (\$amount)</u>		<u>Town B</u> <u>(\$</u> <u>am</u> <u>ou</u> <u>nt</u> <u>)</u>
<u>Town C (\$amount)</u>		<u>Town C</u> <u>(\$</u> <u>am</u> <u>ou</u> <u>nt</u> <u>)</u>
<u>School District</u>		<u>School</u> <u>Di</u> <u>st</u> <u>ri</u> <u>ct</u>
<u>Total (\$sum of above)</u>		<u>Total</u> <u>(\$</u> <u>su</u> <u>m</u> <u>of</u> <u>ab</u> <u>ov</u> <u>e)</u> <u>"</u> <u>-</u>

(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. 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 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.

**Sec. E-8. Retroactivity.** This Part applies retroactively to 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:

**1. Exemption amount.** Except for assessments for special benefits, the just value of \$13,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to the homestead is held by the applicant jointly or in common with others, the



exemption may not exceed \$13,000 of the just value of the homestead, but may be apportioned among the owners who reside on the property to the extent of their respective interests. A municipality responsible for administering the homestead exemption has no obligation to create separate accounts for each partial interest in a homestead owned jointly or in common.

**Sec. F-2. 36 MRSA §683, sub-§1-A,** as enacted by PL 2003, c. 20, Pt. BB, §2 and affected by §3, is repealed.

**Sec. F-3. 36 MRSA §683, sub-§§3 and 4,** as enacted by PL 1997, c. 643, Pt. HHH, §3 and affected by §10, are amended to read:

**3. Effect on state valuation.** The Fifty percent of the just value of homesteads exempt under this subchapter must be included in the annual determination of state valuation under sections 208 and 305.

**4. Property tax rate.** The Fifty percent of the value of homestead exemptions under this subchapter must be included in the total municipal valuation used to determine the municipal tax rate. The municipal tax rate as finally determined may be applied to only the taxable portion of each homestead qualified for that tax year.

**Sec. F-4. 36 MRSA §685, sub-§2,** as enacted by PL 1997, c. 643, Pt. HHH, §3 and affected by §10, is amended to read:

**2. Entitlement to reimbursement by the State; calculation.** A municipality that has approved homestead exemptions under this subchapter may recover from the State ~~100%~~ 50% of the taxes lost by reason of the exemptions upon proof in a form satisfactory to the bureau. The bureau shall reimburse the Unorganized Territory Education and Services Fund for ~~100%~~ 50% of taxes lost by reason of the exemption.

**Sec. F-5. Retroactive application.** This Part applies retroactively to property tax valuations determined on or after April 1, 2005.

## PART G

**Sec. G-1. 30-A MRSA §5681, sub-§2, ¶C,** as enacted by PL 1999, c. 731, Pt. U, §1, is amended to read:

C. "Annual growth ceiling" for fiscal year ~~2000-01~~ means ~~the amount certified by the Treasurer of State by September 1, 2000 as the amount transferred to the Local Government Fund~~

~~in fiscal year 1999-00~~ 2005-06 means \$100,000,000. For subsequent fiscal years, "annual growth ceiling" must be determined by the State Tax Assessor by September 1st annually and means the annual growth ceiling adjusted by the lower of the increase for the previous fiscal year in the Consumer Price Index or the increase in receipts from the taxes imposed under Title 36, Parts 3 and 8. The annual growth ceiling may not be less than the annual growth ceiling for the previous year.

**Sec. G-2. Application.** This Part applies to fiscal years beginning on or after July 1, 2005.

## **PART H**

**Sec. H-1. 30-A MRSA §5681, sub-§5-B,** as enacted by IB 2003, c. 2, §3, is amended to read:

**5-B. Fund for the Efficient Delivery of Local and Regional Services.** For the months beginning on or after July 1, 2004 and before the distributions required by subsections 4-A and 4-B, 2% of all receipts transferred each month pursuant to subsection 5 must be deposited in the Fund for the Efficient Delivery of Local and Regional Services, as established in subsection 3, and distributed to those municipalities and counties that can demonstrate significant and sustainable savings in the cost of delivering local and regional governmental services through collaborative approaches to service delivery, enhanced regional delivery systems, the consolidation of administrative services, the creation of broad-based purchasing alliances or the execution of interlocal agreements.

**Sec. H-2. 36 MRSA Pt. 11** is enacted to read:

### **PART 11**

#### **STATE TAX POLICY GOALS**

#### **CHAPTER 931**

#### **TAX BURDEN REDUCTION GOALS**

#### **§7301. Tax burden reduction goals**

It is the goal and policy of the State that by 2015 the State's total state and local tax burden be ranked in the middle 1/3 of all states, 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.

It is the goal and policy of the State that additional state funds provided to municipalities through increases in the state share of education funding under the essential programs and services funding model must, to the greatest possible extent, be available for statewide property tax reduction.

**§7302. Progress reporting and data**

**1. Assessment and report.** The State Planning Office shall separately assess and report on the progress made by the State, municipalities, counties and school administrative units, respectively, in achieving the tax burden reduction goals established in section 7301.

**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 State Planning Office shall develop and apply specific, quantifiable performance indicators against which the progress in achieving the tax burden reduction goals established in section 7301 can be measured. On January 15, 2006 and annually thereafter, the State Planning Office 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 goals. 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 State Planning Office may also include in its report recommendations on alternative strategies to achieve the tax burden reduction goals established in section 7301 that reflect the best practices in this State, other states and other countries.

**3. Data.** The State Planning Office shall annually collect and analyze data regarding spending and revenues for municipalities, counties and school administrative units. The State Planning Office shall submit an annual report that provides information and analysis regarding government spending and revenue behavior and trends to the Governor and the joint standing committee of the Legislature having jurisdiction over taxation matters. The report must include information that identifies spending and revenue behavior by individual municipalities, counties and school administrative units. Upon request, other departments of State Government shall cooperate and

assist the State Planning Office in the preparation of the report.

**Sec. H-3. Fund for the Efficient Delivery of Local and Regional Services; distribution.** The Department of Administrative and Financial Services shall present a bill to the First Regular Session of the 122nd Legislature by March 1, 2005 that establishes the details of a plan 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, including the distribution of the fund, in the form of competitive grants and planning grants to municipalities, counties and regional government subdivisions 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.

**PART I**

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

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

**Homestead Property Tax Exemption Reimbursement 0886**

Initiative: To increase the homestead exemption to \$13,000 and to provide 50% reimbursement to municipalities.

<b>GENERAL FUND</b>	<b>2005-06</b>	<b>2006-07</b>
All Other	\$53,872	\$162,789
<b>GENERAL FUND TOTAL</b>	<u>\$53,872</u>	<u>\$162,789</u>

**Homestead Property Tax Exemption - Mandate Reimbursement 0887**

Initiative: To reimburse municipalities 90% of the additional costs associated with changes to the homestead exemption.

<b>GENERAL FUND</b>	<b>2005-06</b>	<b>2006-07</b>
All Other	\$115,000	\$0
<b>GENERAL FUND TOTAL</b>	<u>\$115,000</u>	<u>\$0</u>

**Maine Revenue Services 0002**



Initiative: Provides funds for one Tax Examiner position and related costs associated with the expansion of the Maine Residents Property Tax Program, including one-time funds for computer programming costs.

<b>GENERAL FUND</b>	<b>2005-06</b>	<b>2006-07</b>
POSITIONS - LEGISLATIVE COUNT	1.000	1.000
Personal Services	\$52,529	\$56,513
All Other	\$109,517	\$85,002
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GENERAL FUND TOTAL	\$162,046	\$141,515
<b>ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF</b>		
<b>DEPARTMENT TOTALS</b>	<b>2005-06</b>	<b>2006-07</b>
GENERAL FUND	\$330,918	\$304,304
<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<u>\$330,918</u>	<u>\$304,304</u>

**EDUCATION, DEPARTMENT OF**

**General Purpose Aid for Local Schools 0308**

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

<b>GENERAL FUND</b>	<b>2005-06</b>	<b>2006-07</b>
All Other	\$6,962,382	\$6,194,152
GENERAL FUND TOTAL	<u>\$6,962,382</u>	<u>\$6,194,152</u>

**General Purpose Aid for Local Schools 0308**

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

<b>GENERAL FUND</b>	<b>2005-06</b>	<b>2006-07</b>
All Other	\$6,463,417	(\$5,963,417)
GENERAL FUND TOTAL	<u>\$6,463,417</u>	<u>(\$5,963,417)</u>

**Fund for the Efficient Delivery of Educational Services**

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

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>2005-06</b>	<b>2006-07</b>
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All Other	\$6,962,382	\$6,194,152
OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$6,962,382</u>	<u>\$6,194,152</u>

**EDUCATION, DEPARTMENT OF  
 DEPARTMENT TOTALS**

	2005-06	2006-07
GENERAL FUND	\$13,425,799	\$230,735
OTHER SPECIAL REVENUE FUNDS	\$6,962,382	\$6,194,152
DEPARTMENT TOTAL - ALL FUNDS	<u>\$20,388,181</u>	<u>\$6,424,887</u>

**EXECUTIVE DEPARTMENT**

**State Planning Office 0082**

Initiative: Provides funds for contractual services for the required data collection, data entry and analysis.

GENERAL FUND	2005-06	2006-07
All Other	\$50,000	\$50,000
GENERAL FUND TOTAL	<u>\$50,000</u>	<u>\$50,000</u>

**EXECUTIVE DEPARTMENT  
 DEPARTMENT TOTALS**

	2005-06	2006-07
GENERAL FUND	\$50,000	\$50,000
DEPARTMENT TOTAL - ALL FUNDS	<u>\$50,000</u>	<u>\$50,000</u>

**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	<u>\$20,769,099</u>	<u>\$6,779,191</u>