

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Reform Maine's School Funding

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

PART A

Sec. A-1. 20-A MRSA c. 606-B, as amended, is repealed.

Sec. A-2. 20-A MRSA c. 606-D is enacted to read:

CHAPTER 606-D

school finance act of 2007

§ 15696. Local funding effort required

Each school administrative unit in this State shall fund its budget from local property tax revenue in an amount equal to .008 times the total valuation of the taxable property within the school administrative unit. Any school administrative unit that fails to meet this requirement is ineligible for any state funding under section 15697.

§ 15697. State funding effort required

The Legislature shall provide to each school administrative unit funds necessary to meet the school administrative unit's expenses that exceed the amount required to be funded from local property tax revenue under section 15696. The amount of funding must be based on audits conducted pursuant to section 15698.

§ 15698. State audits required

The department shall audit each school administrative unit's budget. By December 1st of each even-numbered year, the department shall present to the Legislature the results of its audits along with a comparison of education spending among schools of the same or closely similar size. The department shall identify the amount of expenses of each school administrative unit that exceeds the amount required to be funded from property tax revenues under section 15696.

Sec. A-3. 20-A MRSA §15752, as enacted by PL 2005, c. 2, Pt. D, §63 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is repealed.

Sec. A-4. 20-A MRSA §15753, as enacted by PL 2005, c. 2, Pt. D, §63 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is repealed.

PART B

Sec. B-1. 5 MRSA §1534, sub-§1, as amended by PL 2005, c. 683, Pt. M, §1, is further amended to read:

1. Establishment of General Fund appropriation limitation. As of December 1st of each even-numbered year, there must be established a General Fund appropriation limitation for the ensuing biennium. The General Fund appropriation limitation 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 limitation is the General Fund appropriation limitation of the first year of the biennium biennial base year appropriation multiplied by one plus the growth limitation factor in subsection 2.

Sec. B-2. 5 MRSA §1535, as amended by PL 2005, c. 621, §4, is further amended to read:

§ 1535. General Fund transfers to stabilization fund

Baseline General Fund revenue, as recommended by the Revenue Forecasting Committee 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 plus 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 until the state share of that cost reaches 55% of the total state and local cost must be transferred to the stabilization fund.

Sec. B-3. 5 MRSA §1677, as enacted by PL 2003, c. 712, §1, is repealed.

Sec. B-4. 5 MRSA §1753, sub-§4, as amended by PL 2005, c. 683, Pt. B, §1, is repealed.

Sec. B-5. 5 MRSA §17154, sub-§6, ¶E, as amended by PL 2005, c. 2, Pt. D, §1 and affected by §§72 and 74 and c. 12, Pt. WW, §18, 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 and ~~606-B~~606-D.

Sec. B-6. 20-A MRSA §1, sub-§12-A is enacted to read:

12-A. Fiscal capacity. "Fiscal capacity" means the certified state valuation for the year prior to the most recently certified state valuation.

Sec. B-7. 20-A MRSA §1, sub-§17, as amended by PL 2005, c. 2, Pt. D, §2 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further amended to read:

17. Major capital costs. "Major capital costs" ~~is defined in section 15672, subsection 18-~~
~~A~~means costs relating to school construction projects, as defined in section 15901.

Sec. B-8. 20-A MRSA §1, sub-§18, as amended by PL 2005, c. 2, Pt. D, §2 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further amended to read:

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

Sec. B-9. 20-A MRSA §1, sub-§20-A is enacted to read:

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

Sec. B-10. 20-A MRSA §1301, sub-§1, ¶A, as amended by PL 2005, c. 2, Pt. D, §3 and affected by §§72 and 74 and c. 12, Pt. WW, §18, 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 15672, subsection 23~~ is to the district's fiscal capacity.

Sec. B-11. 20-A MRSA §1301, sub-§1, ¶B, as amended by PL 2005, c. 2, Pt. D, §4 and affected by §§72 and 74 and c. 12, Pt. WW, §18, 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 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. B-12. 20-A MRSA §1305-A, first ¶, as amended by PL 2005, c. 683, Pt. A, §21, is further amended to read:

Notwithstanding section 1302, 1305, 1306, ~~or 1307 or 15693~~, after January 31, 2001, the format of the annual budget of a school administrative district may be changed only in accordance with this section and section 1305-B.

Sec. B-13. 20-A MRSA §1305-A, sub-§1, ¶B, as amended by PL 2005, c. 12, Pt. WW, §1, is further amended to read:

B. Revenue sources:

- (1) Total education costs appropriated pursuant to ~~section 15690, subsection 1~~15696;
- (2) ~~Non-state-funded debt service costs approved pursuant to section 15690, subsection 2, if any; and~~
- (3) ~~Additional local funds, if any, approved pursuant to section 15690, subsection 3, paragraph A or B;~~

Sec. B-14. 20-A MRSA §1305-B, first ¶, as amended by PL 2005, c. 683, Pt. A, §22, is further amended to read:

Notwithstanding sections 1302, 1305, 1306, ~~and 1307 and 15693~~, after January 31, 2001, the procedure for approval of the annual budget of a school administrative district provided under sections 1304 and 1305 may be changed only in accordance with this section and section 1305-A. The budget validation referendum process provided in this section may not be adopted for use in a school administrative district unless the cost center summary budget format provided in section 1305-A is also adopted. A school administrative district using the alternative voting procedures established in section 1305 may reconsider that use only if as part of that reconsideration the voters adopt use of the cost center summary budget format provided in section 1305-A or the cost center summary budget format and the budget validation referendum process provided in this section.

Sec. B-15. 20-A MRSA §1307, sub-§3, as amended by PL 2005, c. 2, Pt. D, §5 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is repealed.

Sec. B-16. 20-A MRSA §1307, sub-§4, as amended by PL 2005, c. 2, Pt. D, §6 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is repealed.

Sec. B-17. 20-A MRSA §1308, as amended by PL 2005, c. 2, Pt. D, §7 and affected by §§72 and 74 and c. 12, Pt. WW, §18, 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 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 15689-B or the latest budget submitted by the directors becomes the operating budget for the next school year.~~

Sec. B-18. 20-A MRSA §1311, sub-§1, ¶C, as amended by PL 2005, c. 2, Pt. D, §8 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further amended to read:

C. Minor capital costs as defined in section ~~15672~~1, subsection ~~20-A18~~.

Sec. B-19. 20-A MRSA §1351, sub-§1, ¶K, as amended by PL 2005, c. 2, Pt. D, §9 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further amended to read:

K. To borrow funds for minor capital costs as defined in section ~~15672~~1, subsection ~~20-A18~~.

Sec. B-20. 20-A MRSA §1403, sub-§16, as amended by PL 2005, c. 683, Pt. A, §23, is further amended to read:

16. General purpose aid. When a school administrative district dissolves, the general purpose aid for the individual municipalities must be computed in accordance with chapter ~~606-B~~606-D.

Sec. B-21. 20-A MRSA §1407, sub-§2, as amended by PL 2005, c. 2, Pt. D, §10 and affected by §§72 and 74 and c. 12, Pt. WW, §18, 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 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. B-22. 20-A MRSA §1701, sub-§3, as amended by PL 2005, c. 2, Pt. D, §11 and affected by §§72 and 74 and c. 12, Pt. WW, §18, 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 15693, subsection 2, paragraph C.~~

Sec. B-23. 20-A MRSA §1701, sub-§9, ¶A, as amended by PL 2005, c. 2, Pt. D, §12 and affected by §§72 and 74 and c. 12, Pt. WW, §18, 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 15693, subsection 6.

Sec. B-24. 20-A MRSA §1701, sub-§12, as amended by PL 2005, c. 2, Pt. D, §13 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is repealed.

Sec. B-25. 20-A MRSA §1701-A, sub-§1, ¶B, as amended by PL 2005, c. 12, Pt. WW, §2, is further amended to read:

B. Revenue sources:

(1) Total education costs appropriated pursuant to section 15690, subsection 1; ~~15696;~~

(2) ~~Non-state-funded debt service costs approved pursuant to section 15690, subsection 2, if any; and~~

(3) ~~Additional local funds, if any, approved pursuant to section 15690, subsection 3, paragraph A or B;~~

Sec. B-26. 20-A MRSA §1701-B, sub-§5, as amended by PL 2005, c. 2, Pt. D, §14 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further 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 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 15689-B or the latest budget submitted by the committee becomes the operating budget for the next school year.~~

Sec. B-27. 20-A MRSA §1704, sub-§1, ¶B, as amended by PL 2005, c. 2, Pt. D, §15 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further amended to read:

B. The fiscal capacity of each member municipality as defined in section 15672, subsection 23;

Sec. B-28. 20-A MRSA §3252, sub-§4-A, as amended by PL 2005, c. 635, §1, is further amended to read:

4-A. Targeted funds. In addition to tuition rates calculated pursuant to chapter 219, targeted funds for each student in the unorganized territory must be paid to the school administrative unit or private school approved for tuition purposes that a student attends. ~~For purposes of this subsection, "targeted funds" means those funds identified under essential programs and services for technology, implementation of a standards-based system and kindergarten to grade 2 pursuant to section 15671, subsection 6 and section 15681.~~

Sec. B-29. 20-A MRSA §3253-A, sub-§3-A, as amended by PL 2005, c. 635, §2, is further amended to read:

3-A. Targeted funds. In addition to tuition rates calculated pursuant to chapter 219, targeted funds for each student in the unorganized territory must be paid to the school administrative unit or private school approved for tuition purposes that a student attends. ~~For purposes of this subsection, "targeted funds" means those funds identified under essential programs and services for technology, implementation of a standards-based system and kindergarten to grade 2 pursuant to section 15671, subsection 6 and section 15681.~~

Sec. B-30. 20-A MRSA §4254, sub-§1, as amended by PL 2005, c. 2, Pt. D, §17 and affected by §§72, and 74 and c. 12, Pt. WW, §18, 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-B.~~

Sec. B-31. 20-A MRSA §5401, sub-§15, ¶C, as amended by PL 2005, c. 2, Pt. D, §18 and affected by §§72 and 74 and c. 12, Pt. WW, §18, 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 2005-06, these expenditures must be subsidized in accordance with chapter 606-B.~~

Sec. B-32. 20-A MRSA §6051, sub-§1, ¶D, as enacted by PL 1985, c. 797, §36, is amended to read:

D. An audit of all federal programs in accordance with applicable federal law; and

Sec. B-33. 20-A MRSA §6051, sub-§1, ¶E, as amended by PL 2005, c. 683, Pt. A, §24, is repealed.

Sec. B-34. 20-A MRSA §6051, sub-§4, as amended by PL 2005, c. 683, Pt. A, §25, is further amended to read:

4. Initial report to commissioner. On or before December 1st, the school board shall provide the commissioner with:

C. Written determination of whether or not proper budgetary controls are in place; and

D. A written determination of whether or not the annual financial report submitted to the department is correct, including submission of an audited reconciliation of the annual financial report prepared and certified by the auditor; and.

E. ~~A written determination as to whether the school administrative unit has complied with applicable provisions of the Essential Programs and Services Funding Act.~~

Sec. B-35. 20-A MRSA §6651, sub-§6, as amended by PL 2005, c. 683, Pt. A, §26, is further amended to read:

6. Subsidizable cost of operating programs in private secondary schools. The cost of salaries and educational materials attributable to the child care services must be calculated on a per-child basis. ~~One hundred percent of the cost per child times the number of children whose parents attend school in the private school must be subsidizable as program costs under the Essential Programs and Services Funding Act if these costs are paid for by the school administrative unit responsible for educating the student parents.~~

Sec. B-36. 20-A MRSA §8301-A, sub-§4, as amended by PL 2005, c. 2, Pt. D, §23 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further amended to read:

4. Municipality. "Municipality" ~~has the same meaning as in section 15672, subsection 21~~means a city, town or organized plantation.

Sec. B-37. 20-A MRSA §8301-A, sub-§9, as amended by PL 2005, c. 2, Pt. D, §23 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further amended to read:

9. State subsidy. "State subsidy" ~~has the same meaning as in section 15672, subsection 31-~~means the amount of funds provided to a school administrative unit under chapter 606-D.

Sec. B-38. 20-A MRSA §8351, as amended by PL 2005, c. 2, Pt. D, §24 and affected by §§72 and 74 and c. 12, Pt. WW, §18, 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-B and~~chapter 609 and Title 20, section 3457.

Sec. B-39. 20-A MRSA §8402, as amended by PL 2005, c. 2, Pt. D, §25 and §§72 and 74 and c. 12, Pt. WW, §18, is further 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-B and~~chapter 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. B-40. 20-A MRSA §8404, sub-§3, ¶C, as amended by PL 2005, c. 2, Pt. D, §26 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further 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 15681-A, subsection 4 and to the local share of debt service costs attributable to construction of the center in School Administrative District No. 33;

Sec. B-41. 20-A MRSA §8451-A, as amended by PL 2005, c. 2, Pt. D, §27 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further 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-B and~~chapter 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. B-42. 20-A MRSA §8601-A, sub-§6, as amended by PL 2005, c. 2, Pt. D, §28 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further amended to read:

6. Municipality. "Municipality" has the same meaning as in section ~~156728301-A,~~ subsection 214.

Sec. B-43. 20-A MRSA §8605, sub-§2, ¶B, as amended by PL 2005, c. 2, Pt. D, §29 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is repealed.

Sec. B-44. 20-A MRSA §8606-A, sub-§2, ¶C, as amended by PL 2005, c. 12, Pt. D, §1, is further amended to read:

C. The recommendation in the commissioner's funding level certification must include local adult education 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-B, by section 15689-C, subsection 3.~~

Sec. B-45. 20-A MRSA §9703, sub-§5, as amended by PL 2005, c. 683, Pt. A, §27, is further amended to read:

5. Line-item budget. A line-item budget submitted no later than 90 days prior to the fiscal year in which the program will operate. The proposed budget request may not exceed, on a per student basis, the state average tuition rate for a total of 12 students as provided in sections 5804, and 5805 ~~and 15689~~.

Sec. B-46. 20-A MRSA §9706, as amended by PL 2005, c. 683, Pt. A, §28, is further amended to read:

§ 9706. Rule-making authority

The commissioner shall adopt rules to implement this chapter ~~and the funding scheme under the Essential Programs and Services Funding Act.~~

Sec. B-47. 20-A MRSA §13506, sub-§3-A, ¶B, as amended by PL 2005, c. 683, Pt. A, §30, is further amended to read:

B. The impact on local communities of ~~the Essential Programs and Services Funding Act and of~~ implementing increased curriculum and graduation requirements, including recommended ways to meet increased local needs. The commissioner shall estimate projected local costs, including catastrophic costs, and propose alternative methods for meeting those costs, including recommendations for additional state funding of education costs; and

Sec. B-48. 20-A MRSA §15753, as enacted by PL 2005, c. 2, Pt. D, §63 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is repealed.

Sec. B-49. 20-A MRSA §15901, sub-§4, as amended by PL 2005, c. 683, Pt. B, §12, is further amended to read:

4. School construction project. "School construction project" means:

- A. On-site additions to existing schools;
- B. New schools;
- C. The cost of land acquired in conjunction with projects otherwise defined by this subsection;
- D. The building of or acquisition of other facilities related to the operation of school administrative units;

E. The complete restoration of existing school buildings in lieu of replacement when in the judgment of the commissioner the action is in the best interest of the State and local unit; and

F. Off-site construction only if, in the judgment of the commissioner, it is economically in the best interests of the State or there is no other practical way to complete a project.

"School construction project" does not mean the purchase, lease-purchase or construction of portable temporary classroom space, ~~as defined in section 15672, subsection 21-B~~, the lease-purchase of bus garage and maintenance facilities or a permanent space lease-purchase project as defined in section 15901, subsection 4-B.

Sec. B-50. 20-A MRSA §15901, sub-§4-A, as amended by PL 2005, c. 683, Pt. B, §13, is further amended to read:

4-A. Small scale school construction project. "Small scale school construction project" means a project that will not be eligible for state subsidy and is limited to:

A. New buildings not exceeding 600 square feet in gross area to be utilized solely for storage or custodial work, or both; or

B. On-site additions to existing school buildings not exceeding 600 square feet in gross area.

"Small scale school construction project" does not mean the purchase, lease-purchase or construction of portable temporary classroom space, ~~as defined in section 15672, subsection 21-B~~, or the lease-purchase of bus garage and maintenance facilities.

Sec. B-51. 20-A MRSA §15901, sub-§4-B, as amended by PL 2005, c. 683, Pt. B, §14, is further amended to read:

4-B. Permanent space lease-purchase project. "Permanent space lease-purchase project" means the lease-purchase of permanent administrative space or permanent small nonadministrative or instructional space ~~whose costs are wholly or partially eligible as debt service costs for subsidy purposes under section 15672, subsection 2-A, paragraph B, subparagraph (1) or subparagraph (3)~~. "Permanent space lease-purchase project" does not mean the purchase, lease-purchase or construction of portable temporary classroom space, ~~as defined in section 15672, subsection 21-B~~, or the lease-purchase of bus garage and maintenance facilities.

Sec. B-52. 20-A MRSA §15904, sub-§4, ¶E, as amended by PL 2005, c. 12, Pt. WW, §9, is further amended to read:

E. The school administrative unit is responsible for the local share of annual principal and interest payments for this school construction project included in the total cost of education appropriated pursuant to section ~~15690, subsection 15696~~, if any, and for the annual principal and interest payments for the non-state-funded portion of this school construction project.

Sec. B-53. 20-A MRSA §15904, sub-§6, as amended by PL 2005, c. 683, Pt. B, §15, is further amended to read:

6. Permanent space lease-purchase projects. A permanent space lease-purchase project, as defined in section 15901, subsection 4-B, whose costs are wholly eligible as debt service costs for subsidy purposes under section 15672, subsection 2-A, paragraph B must receive a favorable vote of the legislative body of the school administrative unit. A permanent space lease-purchase project whose lease-purchase costs are not eligible as debt service costs for subsidy purposes under section 15672, subsection 2-A, paragraph B must receive a favorable vote of the legislative body conducted in accordance with this section, except that subsection 4 does not apply. The vote may authorize the school board or school committee to enter into a mortgage, security interest or other encumbrance on the permanent space lease-purchase project determined to be necessary for the permanent space lease-purchase project.

Sec. B-54. 20-A MRS §15905, sub-§1, ¶A, as amended by PL 2005, c. 519, Pt. J, §3, is further amended to read:

A. The state board may approve projects as long as no project approval will cause debt service costs, as defined in section 15672, subsection 2-A, paragraph A determined by the state board, to exceed the maximum limits specified in Table 1 in subsequent fiscal years.

Table 1

Fiscal year	Maximum Debt Service Limit
1990	\$ 48,000,000
1991	\$ 57,000,000
1992	\$ 65,000,000
1993	\$ 67,000,000
1994	\$ 67,000,000
1995	\$ 67,000,000
1996	\$ 67,000,000
1997	\$ 67,000,000
1998	\$ 67,000,000
1999	\$ 69,000,000
2000	\$ 72,000,000
2001	\$ 74,000,000
2002	\$ 74,000,000
2003	\$ 80,000,000
2004	\$ 80,000,000
2005	\$ 84,000,000
2006	\$ 90,000,000
2007	\$ 96,000,000
2008	\$100,000,000
2009	\$104,000,000
2010	\$108,000,000
2011	\$126,000,000

Sec. B-55. 20-A MRS §15905, sub-§7, as amended by PL 2005, c. 683, Pt. B, §16, is further amended to read:

7. Interest-only interim local financing. Notwithstanding any provision of law or rule to the contrary, the state board may accelerate the dates on which it grants concept approval and funding approval for a school construction project that has been placed on the special priority list of the state

board on the condition that the school administrative unit provide interest-only interim local financing for the project in accordance with this subsection. The period of interest-only interim local financing must be determined by the state board at the time concept approval is granted for a project and must be based on the time difference between the date that final funding approval is expected to be granted on an accelerated basis and the date that final funding approval would have been expected to be granted in the normal course. The period of interim local financing for a project may not exceed 5 years.

Notwithstanding any provision of law or rule to the contrary, a school administrative unit, including a school administrative unit established by private and special law, authorized to issue securities for school construction purposes may issue its securities for school construction purposes on an interest-only basis during a period of interest-only interim local financing approved by the state board in accordance with this subsection. The period of interest-only interim local financing must precede, and be in addition to, the periods for interest payments and principal payments otherwise established pursuant to the school construction rules of the state board. The length of the period of interest-only interim local financing and the length of the debt service schedule otherwise established must be clearly stated on the face of the securities.

~~The interest-only payments made by a school administrative unit during the period of interim financing must be paid from local funds without state participation and may not be included in the unit's debt service costs for state subsidy purposes under section 15672, subsection 2-A. Such interest-only payments during the period of interim local financing may not be considered debt service costs as defined in section 15672, subsection 2-A for purposes of calculating amounts subject to the debt service limit established by this section.~~

The referendum question that is submitted to the voters for a project subject to interest-only interim local financing under this subsection must include, in addition to the information required by section 15904, an informational statement that sets forth the length of the period of interest-only interim financing established by the state board, an estimate of the annual interest cost during the period of interest-only interim local financing and a statement that the interest-only payments during the period of interim local financing is not eligible for inclusion in the debt service allocation of the school administrative unit for purposes of calculating state school construction subsidy to the unit.

The maximum period that securities for a school construction project may be outstanding under any applicable statute or rule must be extended by the length of the period of interest-only interim local financing approved by the state board under this subsection.

If the voters of a school administrative unit do not vote to approve a school construction project subject to interest-only interim local financing under this subsection, the unit's school construction project remains eligible for concept and funding approval from the state board at the time that the project would be eligible for such approval without interest-only interim local financing.

Sec. B-56. 30-A MRSA §2181, sub-§4, ¶E, as amended by PL 2005, c. 2, Pt. D, §64 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further 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. B-57. 30-A MRSA §5703, sub-§2, ¶B, as amended by PL 2005, c. 683, Pt. B, §24, is further amended to read:

B. For school construction projects approved by the State Board of Education after July 1, 1985, by multiplying the outstanding amount of each issue of debt incurred for school purposes by the municipality in connection with a project that qualifies for state school construction subsidy under Title 20-A and the state ~~share percentagesubsidy~~ of operating costs for that municipality as defined ~~in~~under Title 20-A, ~~section 15672, subsection 31,~~ for the year in which the project received concept approval from the State Board of Education.

(1) The certificate of the Commissioner of Education that a project qualifies for state school construction aid and as to the state ~~share percentagesubsidy~~ of operating costs for that municipality as defined ~~in~~under Title 20-A, ~~section 15672, subsection 31,~~ for the year in which the project received concept approval is conclusive evidence of the facts stated therein.

Sec. B-58. 30-A MRSA §5721-A, sub-§1, ¶D, as affected by PL 2005, c. 2, Pt. C, §5 and amended by c. 12, Pt. WW, §11 and affected by §§15 and 16, is further amended to read:

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~~606-D, and amounts appropriated 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.

Sec. B-59. 30-A MRSA §6006-F, sub-§6, as amended by PL 2005, c. 2, Pt. D, §65 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further 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 percentagesubsidy~~ as determined ~~in~~under Title 20-A, ~~section 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. Seventy percent and no less than 30% for learning space upgrades.

Sec. B-60. 36 MRSA §1603, sub-§1, ¶A, as amended by PL 2005, c. 686, Pt. A, §65, is further amended to read:

A. The cost of education, as would be determined by the Essential Programs and Services Funding Act if the unorganized territory were a municipality;

Sec. B-61. 36 MRSA §7302, sub-§2, as enacted by PL 2005, c. 2, Pt. H, §2, is amended to read:

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.

SUMMARY

This bill repeals the Essential Programs and Services Funding Act and related provisions. It establishes a new school funding formula that requires school administrative units to make a local education funding effort equal to .008 times the total valuation of taxable property within the unit. The State is required to fund education expenses that exceed this baseline. A local unit that does not meet this baseline funding requirement is not eligible for any state subsidy. The bill requires the Department of Education to audit school administrative units' budgets and to compare the expenses of schools of closely similar size.