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No. 994

S.P. 339

In Senate, March 12, 2013

**An Act To Change the State's Share of Education Costs Including
Teacher Retirement Costs**

(EMERGENCY)

Reference to the Committee on Education and Cultural Affairs suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator SHERMAN of Aroostook.

1 **Emergency preamble. Whereas,** acts and resolves of the Legislature do not
2 become effective until 90 days after adjournment unless enacted as emergencies; and

3 **Whereas,** this legislation makes changes to the funding of teacher retirement that
4 need take effect by the beginning of fiscal year 2013-14; and

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

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

10 **Sec. 1. 5 MRSA §17154, sub-§6, ¶¶G to I** are enacted to read:

11 G. Notwithstanding this section, beginning in fiscal year 2013-14, the employer
12 retirement costs that are applicable to the normal cost of retirement and the actual
13 unfunded liability for a teacher must be included in the total allocation in accordance
14 with Title 20-A, chapter 606-B for the school administrative unit, as defined in Title
15 20-A, section 1, subsection 26, that employs the teacher.

16 H. Notwithstanding this section, beginning in fiscal year 2013-14, the employer
17 retirement costs and administrative operating expenses related to the retirement
18 programs applicable to teachers employed by school administrative units, as defined
19 in Title 20-A, section 1, subsection 26, whose funding is provided from local and
20 state funds must be paid by local school administrative units.

21 I. Notwithstanding this section, beginning in fiscal year 2013-14, the employer
22 retirement costs and administrative operating expenses related to the retirement
23 programs applicable to teachers employed by private schools, as defined in Title
24 20-A, section 1, subsection 22, must be paid by the private school.

25 **Sec. 2. 20-A MRSA §15671, sub-§7, ¶C,** as amended by PL 2011, c. 655, Pt. C,
26 §4, is further amended to read:

27 C. Beginning in fiscal year 2011-12, the annual targets for the state share percentage
28 of the total cost of funding public education from kindergarten to grade 12 including
29 the cost of the components of essential programs and services plus the state
30 contributions to teacher retirement, retired teachers' health insurance and retired
31 teachers' life insurance are as follows.

32 (1) For fiscal year 2011-12, the target is 49.47%.

33 (2) For fiscal year 2012-13, the target is 50%.

34 (3) For fiscal year 2013-14 and succeeding years, the target is ~~55%~~ 52%.

35 **Sec. 3. 20-A MRSA §15671-A, sub-§2, ¶B,** as amended by PL 2011, c. 655, Pt.
36 C, §5, is further amended to read:

37 B. For property tax years beginning on or after April 1, 2005, the commissioner shall
38 calculate the full-value education mill rate that is required to raise the statewide total

1 local share. The full-value education mill rate is calculated for each fiscal year by
2 dividing the applicable statewide total local share by the applicable statewide
3 valuation. The full-value education mill rate must decline over the period from fiscal
4 year 2005-06 to fiscal year 2008-09 and may not exceed 9.0 mills in fiscal year 2005-
5 06 and may not exceed 8.0 mills in fiscal year 2008-09. The full-value education mill
6 rate must be applied according to section 15688, subsection 3-A, paragraph A to
7 determine a municipality's local cost share expectation. Full-value education mill
8 rates must be derived according to the following schedule.

9 (1) For the 2005 property tax year, the full-value education mill rate is the
10 amount necessary to result in a 47.4% statewide total local share in fiscal year
11 2005-06.

12 (2) For the 2006 property tax year, the full-value education mill rate is the
13 amount necessary to result in a 46.14% statewide total local share in fiscal year
14 2006-07.

15 (3) For the 2007 property tax year, the full-value education mill rate is the
16 amount necessary to result in a 46.49% statewide total local share in fiscal year
17 2007-08.

18 (4) For the 2008 property tax year, the full-value education mill rate is the
19 amount necessary to result in a 47.48% statewide total local share in fiscal year
20 2008-09.

21 (4-A) For the 2009 property tax year, the full-value education mill rate is the
22 amount necessary to result in a 51.07% statewide total local share in fiscal year
23 2009-10.

24 (4-B) For the 2010 property tax year, the full-value education mill rate is the
25 amount necessary to result in a 54.16% statewide total local share in fiscal year
26 2010-11.

27 (4-C) For the 2011 property tax year, the full-value education mill rate is the
28 amount necessary to result in a 53.98% statewide total local share in fiscal year
29 2011-12.

30 (5) For the 2012 property tax year, the full-value education mill rate is the
31 amount necessary to result in a 53.40% statewide total local share in fiscal year
32 2012-13.

33 (6) For the 2013 property tax year, the full-value education mill rate is the
34 amount necessary to result in a 47.50% statewide total local share in fiscal year
35 2013-14.

36 (7) For the 2014 property tax year and subsequent tax years, the full-value
37 education mill rate is the amount necessary to result in a ~~45%~~ 48% statewide total
38 local share in fiscal year 2014-15 and after.

39 **Sec. 4. 20-A MRSA §15688, sub-§1, ¶¶B and C**, as amended by PL 2005, c. 2,
40 Pt. D, §53 and affected by §§72 and 74 and c. 12, Pt. WW, §18, are further amended to
41 read:

- 1 B. The other subsidizable costs described in section 15681-A; ~~and~~
- 2 C. The total debt service allocation described in section 15683-A; and

3 **Sec. 5. 20-A MRSA §15688, sub-§1, ¶D** is enacted to read:

4 D. Beginning in the 2013-14 funding year, the normal cost of retirement and actual
5 unfunded liability for a teacher pursuant to Title 5, section 17154, subsection 6.

6 **Sec. 6. 20-A MRSA §15689-C, sub-§2, ¶¶C and D**, as enacted by PL 2005, c.
7 2, Pt. D, §61 and affected by §§72 and 74 and c. 12, Pt. WW, §18, are amended to read:

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

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

11 **Sec. 7. 20-A MRSA §15689-C, sub-§2, ¶E** is enacted to read:

12 E. The normal costs and actual unfunded liability of teacher retirement pursuant to
13 Title 5, section 17154, subsection 6.

14 **Sec. 8. 20-A MRSA §15689-E, sub-§1, ¶B**, as enacted by PL 2005, c. 2, Pt. D,
15 §61 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is amended to read:

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

18 **Sec. 9. 20-A MRSA §15689-E, sub-§1, ¶C** is enacted to read:

19 C. The state share of the total normal cost and actual unfunded liability of teacher
20 retirement pursuant to Title 5, section 17154, subsection 6; and

21 **Sec. 10. 20-A MRSA §15752, first ¶**, as enacted by PL 2005, c. 2, Pt. D, §63
22 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is amended to read:

23 In accordance with the phase-in schedule provided in chapter 606-B, beginning in
24 fiscal year ~~2008-09~~ 2013-14, the Legislature each year shall provide at least ~~55%~~ 52% of
25 the cost of the total allocation for kindergarten to grade 12 education from General Fund
26 revenue sources.

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

29 **SUMMARY**

30 This bill provides that the total cost of teacher retirement, including the normal cost
31 and the actual unfunded liability, must be funded through the state and local cost-sharing
32 formula for funding public education from kindergarten to grade 12. The bill also
33 changes the target for the state share of the total costs of education from 55% to 52%.