

Issue regarding loss of state funding for state approved construction projects that existed before the creation of RSU units

Statement of issue:

Towns that had state approved and partially state funded school construction projects completed prior to their merger into a new multi-town RSU structure are facing the loss of state aid that formerly flowed to those towns to pay the "state share" of aid for those projects. Kennebunk is one of these towns. In past years, when a town's calculated state aid was smaller than the required "state share" of the debt service, a "minimum receiver" formula would come into effect to ensure that the town would continue to receive at least enough aid to pay the debt service.

The new RSU formation process resulted in the situation where practically all towns with pre-existing debt service have retained that debt service. It has not been shared across the other towns of the new RSUs. However, the "minimum receiver" calculation that formerly protected towns from loss of at least this minimum aid is now performed on the RSU as a whole. This means that as long as the RSU as a whole receives aid for as few as one of the many towns in its territory, the town that has the old "state Approved" debt service may get insufficient allocated aid to pay the promised state share. State aid within an RSU is allocated solely on the basis of the state EPS formula. This is happening to Kennebunk starting this year (\$200k shortfall in 2010/11) and projected trends show the complete loss of state aid for Kennebunk in as few as two more years (\$800k shortfall in 2011/12, and a possible \$1,200k shortfall in 2012/13). This effect negates the promised minimum receiver protection that the legislature created to prevent voters in towns from paying more than the "local share" that voters approved in the referendums to build these schools.

Again, the cost of such debt service is considered in the RSU's EPS calculation of total aid. However, issue arises when the RSU's other town's "required local allocation" under EPS and the Town's "required mill rate" result in state aid flowing to at least one other town, but there is insufficient aid to pay the state debt share to the debt holding town(s).

We do not think this was intended to happen by the Legislature or by the DOE, as the Commissioner has publicly stated her commitment to maintaining state debt service aid to the schools that were promised to receive at least a minimum service under the old minimum receiver rules. However, it has happened.

Legislation is needed to amend the minimum receiver language to correct this. There may be little or nothing that can be done for the 2010/11 year, but action can be taken now to fix the aid for 2011/12 and beyond.

Statement of solution:

The Legislature needs to re-instate the minimum receiver calculation for towns within an RSU that were eligible for state approved debt service aid under the rules in effect prior to formation of the RSUs. The funding formula should be changed to provide state approved debt aid in at least the amount the town would have received under the old minimum receiver formula if the town had not join the RSU.

New projects approved by voters after the formation of an RSU need not be covered, as the voters would clearly know what the new rules are when a vote for or against a new bond referendum question takes place.

It is not fair to break the rules that were in effect when the old projects were voted.

It is also not fair to force citizens who voted for the new RSUs at the Legislature's request to suffer the unintended loss of aid that they otherwise would have continued to receive if they had voted down the RSU.