

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
LEGISLATIVE RESEARCH COMMITTEE

FIRST SUMMARY REPORT  
TO THE  
ONE HUNDRED AND FIFTH LEGISLATURE  
VOLUME ONE

JANUARY, 1971



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January 1, 1971

To the Members of the 105th Legislature:

By statute the Legislative Research Committee is required to make or cause to be made such studies and investigations as the Legislature directs. In addition, the Committee is empowered to and has liberally exercised its own initiative by undertaking studies of matters pertaining to important issues of public policy and questions of state-wide interest. The Committee's ultimate objective is to assist the Legislature by submitting factual information pertinent to the questions involved along with such findings and recommendations for action or nonaction as the Committee deems desirable.

The Legislative Research Committee has inquired at great length and with serious purpose into those matters referred to it and hereby has the pleasure of submitting to you the first portion of its report on activities of the past two years. This report designated as Volume I deals with eight assigned topics and contains the findings and recommendations pursuant thereto. Reports relative to other matters ordered for study by action of the Legislature or undertaken by motion will appear in subsequent publications.

On behalf of the membership, I wish to express at this time our individual and collective appreciation to many individuals, organizations and persons in the service of the State whose assistance to the Committee in its studies and deliberations has made it possible to obtain information respecting the many problems confronting the Committee and without whose cooperation conclusions could not have been reached.

The members of the Committee also wish to express their appreciation for being chosen to participate in these assignments and sincerely hope the following reports will prove of benefit to the Members of the Legislature as well as the citizens of Maine.

Respectfully submitted,

A handwritten signature in cursive script that reads "William E. Dennett".

WILLIAM E. DENNETT, Chairman  
Legislative Research Committee

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STATE OF MAINE  
LEGISLATIVE RESEARCH COMMITTEE

REPORT ON UNIFORM MUNICIPAL FISCAL YEAR

to the

ONE HUNDRED AND FIFTH LEGISLATURE

JANUARY, 1971

Legislative Research Committee

Publication 105-4

## UNIFORM MUNICIPAL FISCAL YEAR

WHEREAS, the concept of enacting a uniform fiscal year for cities, towns, counties and school units is deserving of an in-depth study prior to further action by the Maine Legislature; now, therefore, be it

ORDERED, the Senate concurring, that the Legislative Research Committee conduct a study of the advantage and disadvantage of developing and implementing a uniform municipal fiscal year; and be it further

ORDERED, that the Legislative Research Committee report its findings and recommendations to the next regular session of the Legislature.

HP 1472	House of Representatives	In Senate Chamber
Jalbert	Read and Passed	Read and Passed
Lewiston	February 5, 1970	February 6, 1970
	Sent up for concurrence	In concurrence

## SUBCOMMITTEE ON UNIFORM MUNICIPAL FISCAL YEAR

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The incompatibility of accounting periods among certain levels of government have in recent years been the subject of much controversy due to the resulting confusion and hardship arising from the interrelated management of financial affairs of this State. At the present time both the State of Maine and Federal Governments distribute moneys on a fiscal year basis which begins July 1 and ends June 30. On the other hand the counties and municipal governments, with a few exceptions, generally budget on a calendar year which begins January 1 and ends December 31. Because of this difference in accounting periods numerous problems have arisen which have given rise to an urgent need for a uniform fiscal year especially at the state, federal and municipal levels.

Although this situation may be common in a majority of the states there are a few exceptions. Those states whose municipalities have an accounting period which coincides with the state and federal governments are as follows:

Arizona	North Carolina
California	North Dakota
Hawaii	Oklahoma
Louisiana	Oregon
Maryland	Rhode Island
Michigan	Tennessee
Montana	Utah
Nevada	West Virginia
New Mexico	Wyoming

Thirty-nine (39) of the 50 states have adopted fiscal years for school units ending June 30. Thirty-two (32) of the states have compulsory compliance while seven are



predominantly on the July 1 to June 30 fiscal year.

Problems stemming from the lack of uniformity in accounting periods within the State of Maine have been mainly experienced at the municipal level, and as a consequence this study is directed to that area pursuant to the foregoing directive. Some of the principal disadvantages of municipal accounting periods which are inconsistent with the fiscal year of the State and Federal Governments are stated as follows:

1. The expenditures for several months have been made without authorization or appropriation. Since most authorizations do not occur until several months after the new fiscal year has begun, it can be said that municipal officers are expending money without authorization.
2. The varying fiscal years create confusion among the appropriating authorities. For example, when a municipality grants salary increases to teachers, only a portion of the increase shows up in the first year. Thus, there is a hidden cost to the increase which does not reveal itself until the following year. If the fiscal years were uniform any salary increase granted would show up completely in the year during which the appropriation was made.

3. Federal aid to education is based to some extent on the expenditures reported by the local units. The result of closing fiscal years in December and January is to lessen the amounts reported upon which our federal aid is computed.
4. Because fiscal years are not uniform nearly \$45,000,000 is distributed to administrative units in two payments, one in August and one in December, both occurring late in the unit's fiscal year resulting in unnecessary borrowing in anticipation of state aid.

In contrast to these disadvantages there is much to be gained through establishing a uniform fiscal year at a local level which would coincide with the State and Federal Governments.

1. It would eliminate the necessity of an additional audit each year of school accounts to make the school fiscal year coincide with the state and federal fiscal years.
2. All of the information collected from the various municipalities would be comparable since it would be based on the same fiscal year.
3. Local officials elected at March town meetings would assume office before the year began and would be prepared to operate and carry out the

proposals for which they were elected. Under the present conditions, a third or more of the budget is already expended before the new officers are elected. The result; a more responsible local government by adopting this change.

4. State aid to the municipalities could be distributed on a monthly basis that would be consistent with the income of the State. This would reduce interest costs for the State and it would reduce interest costs at the local level since the income would be provided as it was needed instead of the long waiting period that now exists which requires borrowing at the local level, and because of the size of the allocations, borrowing at the State level as well. A uniform fiscal year should be adopted because it will permit responsible fiscal management for the municipalities and for the State.

Following a complete review of all background material related to a uniform fiscal year, including the attempted legislation, chapter 369 of the public laws of 1969, and its repealer, chapter 543 of the public laws of 1969, the Committee held several meetings with representatives of those most directly involved in an attempt to determine if a feasible solution to the problem could be found. The

Committee felt that the need for a uniform fiscal year was clearly demonstrated by the need for officials at all levels to account for the use of money in terms of benefits derived from expenditures. Also, because of the difference in accounting periods, in the Committee's opinion, it is virtually impossible to get a clear picture of benefits derived at the local level from funds contributed by the Federal and State Governments. Under such circumstances there is an urgent need for uniform fiscal years in order that complete analysis might be made of expenditures at all levels in terms of programs being operated in order that priorities might be established on the basis of benefits received for dollars expended.

The Committee noted that under the present mode of operation money is not appropriated by the local units until at least a third of the year is already passed, thus, placing the voters of the municipalities in the awkward position of approving moneys that, in fact, have already been expended. This situation also places the municipalities in the position of borrowing money before the expenditure has been authorized when, perhaps, the authorization of the expenditure should be made by the proper legislative body before any money is borrowed or expended for the purposes of operating municipal government. The Committee would rather see property values established and appropriations made prior to the beginning of a fiscal year, then tax bills could be issued and payments could begin on a scheduled basis, thus reducing local borrow-

ing to a minimum with substantial savings in interest cost.

It came to the Committee's attention that approximately \$4 million dollars per year is distributed under Title I of the Elementary and Secondary Education Act for Maine each year. This distribution is contingent upon the State of Maine's per pupil expenditure as compared with the other states in the nation. In order that the State of Maine's information be compatible with other states, the Legislature stipulated that school costs shall be reported on a fiscal year which coincides with State and Federal Governments. This action on the part of the Legislature has increased the federal allocation to the State of Maine by approximately 5%. However, such action was not taken without some cost to the local municipalities. That cost is found in duplication in auditing expenditures. If local or municipal were on a July 1 to June 30 fiscal year the same as the State and Federal Governments, this duplication could be eliminated.

Another area of concern to the Committee was that local officials elected at annual town meetings in March would assume office before the fiscal year began and would be involved in the preparation of a budget and its adoption by the municipalities; thus, they would be better able to carry out the intent of the voters for a given year. Under present conditions a third or more of the budget is already expended before new officers are elected. The Committee felt in this regard that officials could be more responsive to the voters of the municipalities and to the benefit of the

municipality if the fiscal year were changed to coincide with the state and federal fiscal years.

In reaching a conclusion the Committee acknowledges that there is widespread opposition to a uniform fiscal year throughout the State primarily due to the transition period. However, for those municipalities which would like to get in step with the State and Federal Governments and take advantage of the accruing benefits of a uniform accounting period, the Committee submits the following alternatives and guide lines in an effort to provide the easiest way to accomplish that objective.

- I July 1 - June 30 Fiscal Year.
  - A. 6 month transition.  
Cost-\$94 million bond issue for 1970.  
\$100 million bond issue for 1971.
  - B. Two 15 month budgets.
  - C. 18 month budget.
  - D. Six 11 month budgets with mandatory reserve requirement.
- II Calendar year budget for both schools and municipalities.
  - A. Change effective dates of teachers' contracts.
- III Calendar year for municipalities; July 1 - June 30 fiscal year for schools.

In view of unsettled opposition on each of the above proposals, the Committee takes the position of not making any recommendations at this time to mandate or to force communities by means of legislation to adopt any specific uniform fiscal year procedure. In the alternative, on the basis of much study and deliberation, the Committee sees

merit in uniformity of accounting periods between the municipal, State and Federal Governments and suggests the six 11 month budgets with a mandatory reserve requirement proposed (I - ¶D) as the most feasible guide for cities and towns to follow in making the transition.