

MAINE STATE LEGISLATURE

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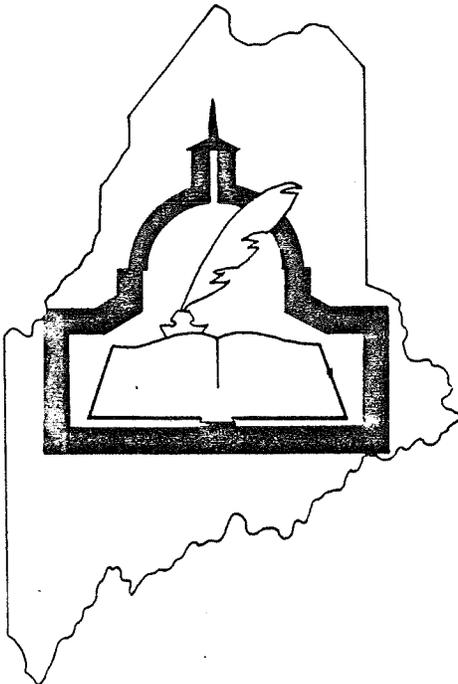
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SELECT LEGISLATIVE
COMMITTEE

on

SCHOOL FINANCE

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SELECT LEGISLATIVE COMMITTEE ON SCHOOL FINANCE

The Select Committee on School Finance was established in connection with a grant from the National Council of State Legislatures and the National Institute for Education to study Maine's education finance formula. The charge of the committee was four fold:

I. To review the problems in education finance in general terms and to examine the pros and cons of alternative funding mechanisms as exemplified in other states.

II. To analyze how Maine's system has functioned since the first reforms were instituted in the early 1970s -- Changes in the pattern of spending and equity in which the tax burden was apportioned to taxpayers and dollars distributed to students.

III. To examine the problems of the existing formula.

IV. To examine and the pros and cons of the Commissioner of Education's proposal for a revision of the existing School Finance Act.

I. BACKGROUND IN SCHOOL FINANCE FORMULAS

The committee examined some of the national trends in school expenditures. One of the major problems faced by school funding nationwide is the dramatic increase in fringe benefits including pension and health insurance plans. In the Maine data fringe benefits appeared as an acute problem neither for the funding formula nor local school units because the employers share of pensions are funded totally by the State through a separate budget item. This contribution amounts to about \$45 million dollars or equivalent to a basic grant of approximately \$209 per pupil for each of the approximately 215,000 elementary and secondary students in the state. Unlike other aspects of the formula this State subsidy is not tied

to the subsidy formula and the school unit's ability to pay (property valuation) but is given to all units indirectly through the state pension system.

II. STATISTICAL ANALYSIS OF SCHOOL EXPENDITURES AND FUNDING

This analysis is the subject of a separate report Maine Education Finance: The Examination of the First Decade of Reform.

III. THE PRESENT FORMULA.

A. THE PRESENT FORMULA -- A DESCRIPTION.

The present formula operates first and foremost to equalize the property tax burden across all school administrative units. The original uniform property tax reform established a uniform property tax mill rate (subsidy index) to fund the local share of a basic education program plus a local option mechanism (local leeway) to provide a State per pupil dollar guaranteed yield for a uniform millage of additional local effort.

The repeal of the uniform tax formula in 1977 led to the enactment of a revised law, the 1978 School Finance Act. The 1978 Act retained the basic structure of the original law with the exception of the uniform property tax levy. Units receiving a State subsidy would still be affected by the uniform (subsidy index) mill rate. However, property wealthy school units which could raise sufficient monies to fund their school program on less than the subsidy index mill rate were no longer required to raise that amount. Under the uniform property tax they raised the total amount and paid the excess into the common fund to be distributed along with State tax dollars to fund the State guarantee for the basic education program in other communities. Similar to the original law, the new formula effective-

ly reduces the variation across school units in the property tax levy needed to fund a basic education program. Aside from the lower rates in property wealthy units, the variation in rates is due to each unit's local option to spend above the rate for the basic education program either by participating in local leeway or spending local monies above leeway.

On the expenditure side, the 1978 School Finance Act establishes 4 different ways of determining allowable costs in the formula. First, there are general operating costs which include the cost of running a basic education program and plant operation. These costs are based on two year old expenditures which have been updated by an estimate for one year's inflation and adjusted to the spring/fall average in school enrollment of the most recent calendar year to reflect year old costs. (The formula computes, for each unit, the 2 year old per pupil costs, adjusts it by a one year inflation percentage, and then multiplies the adjusted per pupil cost by the updated enrollment.) There is also a limit imposed on subsidizable costs set by the state average per pupil costs times the school enrollment.

The second grouping of costs is for special education, vocational education and transportation operating costs. These are also based on two year old expenditures but they are adjusted neither for inflation nor for changes in program enrollment. There is also no limit placed on the inclusion of these costs in the formula.

The third group is comprised of approved leases and approved bus purchases which are based on year old costs. Finally debt service payments for major construction are based on the calculation of current year expenses.

The formula then combines the costs derived under these four groupings for each unit into the unit's State and local allocation. The local share

is set at the amount raised by the subsidy index mill rate and the State share is set at the difference between the local share and the total state and local allocation. The unit receives its State share amount regardless of whether it raises the full subsidy index mill rate. However, it cannot participate in local leeway if it doesn't raise its total share and the reduction in local effort will show up in a reduced State and local allocation and reduced State aid two years later.

B. THE PRESENT FORMULA -- PROBLEMS.

1. Confusion in explaining how it works.

The formula provides money to school units to fund their current year programs. However, because the State calculates the allowable subsidy on the unit's two year old expenditures, the subsidy is often explained as a refund for these two year old expenditures. This interpretation coupled with the fact that all expenditures above the State established subsidy index mill rate are absorbed into the State's share of the costs, additional program costs in the areas of special education, vocational education, and school construction are often explained as 100% State funded. At the school unit level in any given year these program costs may not affect the local unit's share established by the State subsidy index mill rate. However, on a statewide basis only approximately 50% of the costs are funded with State tax dollars; and the remaining 50% are funded by property taxes.

This appearance of 100% funding occurs because the State establishment of a subsidy index mill rate acts as a circuit breaker on the local share. It is usually referred to as a kickout effect. Because the circuit breaker or kickout is based on two year old costs, it can create considerable confusion in explaining the effects of a local budget cut. Since the State

subsidy is based on two year old costs, the unit which reduces its education spending in the current year will continue to receive the same amount in this basic subsidy. In other words, the local taxpayers receive 100% of the benefit of any budget cut savings in the first two years. Conversely, if the unit wants to start new programs or reintroduce ones that have been cut, it would have to bear the cost of the programs for two years before they would become part of the unit's subsidizable costs.

2. DISINCENTIVE FOR LOW SPENDING UNITS.

The present formula has two disincentives for low spending units to increase spending. One is that a unit's subsidizable costs are based on its two year old expenditures. Therefore, if a unit spent below the state average two years ago, its allowable costs for school subsidy purposes would be less than the allowable costs for units which had spent at the state per pupil average. Both types of units would have to raise the same subsidy index tax rate. In short this means that the units spending below the state average have the same tax burden but receive less state aid. This outcome is an example of the formula's emphasis on taxpayer, rather than student, equity. For the low spending unit to come up to the state average, it would have to raise money above the state subsidy index mill rate for two years before these expenditures would work into the formula. This acts as a considerable financial disincentive for units which have historically spent below the state per pupil average to increase their school budgets.

The second disincentive mechanism was enacted as part of the original uniform property tax formula and intended as a means for allowing low spending units to gradually come up to the state average. It provided for the addition of 1/3 of the difference between the unit's expenditure per pupil and the state per pupil average. Under the 1978 revision, this

mechanism was retained, and a unit can still use it to slowly come up to the State average without raising its tax rate. However, since local units establish their own budgets and mill rate, the 1/3 feature can also be seen as a bonus for spending below the state average. If a unit spends below the state average, it will receive a bonus from the State of 1/3 the amount up to the state average. Units which spend at the state average do not receive a bonus. In discussions of prospective financing of hospital costs, similar types of bonus mechanisms are consciously included as cost containment mechanisms.

The cost to the State of correcting this disincentive - by offering each unit an operating cost subsidy based on the State per pupil average - would be \$4.28 million.

3. UNDERFUNDING

Under the present formula the amount spent above leeway is not included in calculating the average per pupil cost. This above leeway amount accumulates from year to year, for example it was \$29.7 million for FY80-81 and has increased to \$30.8 million for FY82-83. The present formula also requires the Commissioner of Education to calculate the amount proposed for leeway in the coming budget on the previous year's per pupil dollar guarantee and mill rate. This discounts both the inflation in dollar costs and in property values. Both of these factors work to reduce the amount of State dollars going to local units under leeway. This "underfunding" of leeway feeds back into the formula and is a major cause of the artificially low per pupil average. Finally, the categorical programs are not increased by the one year inflation percentage as are general operating costs.

The cost to the state of correcting these problems in the 1982-83 would have been:

- a. \$7,534,000 to include the local expenditures above leeway in computing the per pupil average;
- b. \$2,933,000 to increase the categorical programs for one years inflation, and
- c. \$3,595,000 to increase the funding for local leeway to 40% of \$140 per pupil.

IV. COMMISSIONER'S PROPOSAL FOR A NEW FUNDING FORMULA

A. SIMPLIFY FORMULA

The main focus of the Commissioner's proposal was on simplifying the present formula. It tries to clearly indicate in the formula that the percentage of State aid received by a school unit applies to all types of programs and costs. It does this by creating 4 groupings of costs -- general operating, special program (special education, vocational education, bus operating), debt service, and bus purchases.

1. FOUNDATION ALLOCATION

A unit's general operating cost would be computed as a single per pupil amount times its number of elementary and secondary pupils. The per pupil figure is based on 2 year old State average adjusted for one year's inflation. The statewide aggregate of general operating costs is used to compute the State and local shares in the same way as in the present formula (by setting a mill rate sufficient to raise 50% of the costs). The mill rate for operating costs in turn would determine the maximum State and local shares for subsidizable general operating costs in each unit. The maximum State and local shares of the operating costs would establish a percentage State and percentage local share in each unit. These percentages would then be applied to the costs in the other 3 expenditure groupings to determine the State and local shares of those costs. This method would make it clear, for example, that if a school unit receives 40%

state aid for general operating expenditures, this 40% applies also to special program costs, debt service, and bus purchases.

In each unit the maximum subsidizable operating costs and program costs (including the state relief of overburden described below) would be combined to form the unit's maximum foundation allocation. If a unit funded its foundation budget at less than this amount, the state and local shares would be decreased by an equal percentage (i.e. if the budgeted amount are 10% below the maximum foundation allocation both the state and local shares would be decreased by 10%). This immediate adjustment would eliminate the two year lag and mean the unit would experience the reduction in state aid in the year of the budget reduction. Similarly, low spending units would be allowed to increase their budget up to the state average without being penalized by having to pay the upfront costs for 2 years.

1. OVERBURDEN

The proposed formula recognizes the need to take into account the problem of overburden. In addition to the adjustments in the present formula for geographic isolation and the like, the proposed formula would provide for the inclusion of a proportion of the expenditures above the State per pupil average and two circuit breakers one to eliminate overburden in the area of special programs and the other to eliminate overburden resulting from debt service.

a. SPECIAL PROGRAMS AND DEBT SERVICE

All costs above the special program and debt service circuit breakers would be added to the State share. The circuit breakers would make it clear that 100% State funding only applies to these overburden costs. It also would insure that this overburden is paid for by State tax dollars and

not, as in the case in the present formula, absorbed into the formula and shared 50% State tax dollars and 50% statewide property tax dollars.

b. GENERAL OPERATING COSTS

In addition to the overburden for special programs and debt service, the proposed formula recognizes the potential for overburden in the general operating portion of the budget. The formula would allow the inclusion of 50% of the costs above the state per pupil average up to a cost ceiling set at 20% above the state average. This would allow some relief to towns which for historical practice, because of legitimate extra costs, or for other reasons spend above the state average.

B. DISINCENTIVES TO LOW SPENDING UNITS

Under the proposed formula, the low spending units would have the same state per pupil average figure available to them each year as other units and they could increase their expenditures up to the state average any year they wished without paying a penalty for two years for previously having spent below the state average. This ability to adjust up to the state average expenditures without penalty is a result of establishing the division of State and local unit shares of general operating costs for each unit on the state per pupil average and not each unit's actual 2 year old expenditures. The proposed formula would also eliminate the 1/3 bonus for spending below the state per pupil average.

C. UNDERFUNDING

The new formula attempts to correct the problem of under funding by first including all base year general operating costs in calculating the new state average and not excluding those costs above the state average. Second, it provides an inflation update for special program costs. Third, it incorporates leeway into the general formula thereby insuring that the mill rate automatically adjusts to the rise in property values and that the

per pupil dollar amount increases with inflation.

D. COMPANION CHART.

The attached chart provides a comparison of the present and proposed formulas. The per pupil operating rate and the mill rates in the example are only for illustrative purposes and would vary from year to year.

V. COMMITTEE DISCUSSION.

The committee examined the effect of the formula at several different funding levels. If no additional state funds were added, there would be losers and gainers with the total shift amounting to about \$5.5 million based on a comparison for the budget year 1982-83. To keep this in perspective, \$5.5 million represents about 1.2% of the total school expenditures for that year or 2.5% of the State's share. In addition the increase in school expenditures from one year to the next has been about \$30 million and would absorb the paper loss of most units.

The major portion of the shift, approximately \$4 million of the \$5.5 million, is the result of providing an opportunity for low spending units to spend up to the state per pupil average. An additional \$1.4 million results from the provision of aid to units which previously did not receive any State aid. This addition of aid is caused by the establishment of separate overburden circuit breakers for special education and debt service. On examining these particular units, most of them appear to be small units and the overburden probably results from exceptional special education costs such as a residential placement.

If the State's contribution were increased, the potential loss to certain units would be less. However, the Committee was not optimistic that additional State funds would be available.

The Committee felt that the simplification of the formula was a substantial plus. In addition making debt service clearly an expense shared

between the State and the local unit was considered an advantage and a needed correction to the present confusion about 100% State funding of school construction costs.

RECOMMENDATION:

A majority of the committee supported submitting the attached legislation to reform the present Finance Act for passage this session. They also recommended introducing the Commissioner's proposal to revise the School Finance Act with the recommendation it be held over for consideration in the second regular session.

The Committee felt that while the Commissioner's proposal greatly simplified the present formula and corrected many of its faults, they did not feel that it should be recommended for passage this session. Instead, they felt that a separate bill to correct some of the shortcomings with the existing Finance Act should be passed this session. They supported introducing the commissioner's bill but with the recommendation that it be held over for consideration by the Second Regular Session of the 111th Legislature.

SCHOOL FINANCE ACT OF 1978
53.97% of B.E.A.

EQUALIZED FOUNDATION PROGRAM
at least 50% of A.L.C.A.

OPERATING COSTS

2 YR. UPDATE W/% → OPERATING COSTS
2 YR. UPDATE W/%

\$1,481 PER PUPIL @ 7.75 MILLS
= %* OF STATE SHARE

SPECIAL EDUCATION (LOCAL)

2 YR.

PROGRAM COSTS

SPECIAL EDUCATION (TUITION & BOARD)

2 YR.

VOCATIONAL EDUCATION

2 YR.

2 YR. UPDATE W/%

TRANSPORTATION
- OPERATING

2 YR.

STATE SHARE - TOTAL COST TIMES %*
LOCAL SHARE - TOTAL LOCAL SHARE
UP TO 1.50 MILLS

DEBT SERVICE

DEBT SERVICE

STATE SHARE - %* TIMES DEBT SERVICE
LOCAL SHARE - TOTAL LOCAL SHARE
UP TO 0.75 MILLS

- PRINCIPAL AND INTEREST
- APPROVED LEASES
- INSURED VALUE FACTOR

CURRENT
1 YR.
2 YR.

BUS PURCHASES

1 YR.

STATE SHARE - %* TIMES COST

SPECIAL EDUCATION--BUDGETARY HARDSHIPS

→ INCLUDE WITH VARIATION

P. L. 81-874 (IMPACT AID)

→ DEDUCT FROM STATE SHARE OF FOUNDATION PROGRAM

ADJUSTMENTS:

UNUSUAL ENROLLMENT
GEOGRAPHIC ISOLATION
SMALL UNIT
AUDIT

→ INCLUDE INTACT

ADJUSTMENT - 1/2 ABOVE FOUNDATION OPERATING
PROGRAM TIMES %*

OTHER:

- PRIVATE SCHOOL SERVICES
- SPECIAL EDUCATION--STATE WARDS
- LOCAL LEeway

→ INCLUDE INTACT
→ INCLUDE INTACT
→ ELIMINATE

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FIRST REGULAR SESSION

ONE HUNDRED AND ELEVENTH LEGISLATURE

Legislative Document	No.
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H.P. House of Representatives,

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-THREE

AN ACT to Reform the School Finance Act.

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

PART A

Sec. 1. 20-A MRSA §15512, sub-§2, as enacted by PL 1981, c. 693, §§5 and 8, is repealed.

Sec. 2. 20-A MRSA §15509, sub-§1, ¶A, as enacted by PL 1981, c. 693, §§5 and 8, is amended to read:

A. If a school administrative unit's average elementary or secondary per pupil operating cost in the base year is less than the basic elementary or secondary per pupil operating rate, the unit's per pupil state-local allocation for elementary or secondary pupils respectively shall be limited to an amount which equals:

- 1 (1) The unit's average elementary or
- 2 secondary per pupil operating costs for the
- 3 base year; plus
- 4 (2) An amount equivalent to ~~1/3~~ 1/2 of the
- 5 difference between:
- 6 (a) The unit's per pupil elementary or
- 7 secondary cost for the base year, as
- 8 adjusted; and
- 9 (b) The basic elementary or secondary
- 10 per pupil operating rate respectively.

11 Sec. 3 20-A MRSA §15510, sub-§3, ¶A is enacted
 12 to read:

13 A. The state allocation for each administrative
 14 unit is limited to the same proportion that the
 15 local appropriation for the local allocation is
 16 to the maximum local allocation.

17 PART B

18 Sec. 1. 20-A MRSA §15502, sub-§2, as enacted by
 19 PL 1981, c. 693, §§5 and 8, is amended to read:

20 2. Amount of basic education allocation. It is
 21 the intent of the Legislature that the basic educa-
 22 tion allocation for elementary and secondary oper-
 23 ating costs, as annually established by the Legis-
 24 lature, and special education, vocational education
 25 and transportation operation costs shall be an amount
 26 sufficient to meet the level of the costs in the year
 27 prior to the year of allocation.

28 Sec. 2. 20-A MRSA §15505, sub-§3, as enacted by
 29 PL 1981, c. 693, §§5 and 8, is amended to read:

30 3. Estimate guidelines for elementary and
 31 secondary operating costs, special education, voca-
 32 tional education and transportation operation costs.
 33 The recommendation for elementary and secondary oper-
 34 ating costs, special education, vocational education
 35 and transportation operation costs shall reflect the
 36 commissioner's best estimate as to changes in pupil

1 enrollment, economic factors, adjustments based on
2 actual changes in education costs and any other con-
3 siderations which effect a change in the costs of
4 education. The commissioner shall be ever conscious
5 of the need for prudent restraint in educational
6 financing.

7 Sec. 3. 20-A MRSA §15508, sub-§3, ¶A, as enacted
8 by PL 1981, c. 693, §§5 and 8, is amended to read:

9 A. A school administrative unit's state-local
10 allocation for each of the items identified in
11 subsections 4 to 7, except as otherwise speci-
12 fied, shall be ~~100%~~ of the actual expenditures
13 during the base year as is contained in the com-
14 missioner's recommendation of educational costs
15 as adjusted, subject to paragraph B.

16 Sec. 4. 20-A MRSA §15508, sub-§4, ¶B, as enacted
17 by PL 1981, c. 693, §§5 and 8, is amended to read:

18 A. The special educational allocation shall be
19 determined by multiplying the expenditures for
20 special educational programs operated or con-
21 tracted for by the school administrative unit and
22 the expenditures for special educational tuition
23 or board, or both, by the average of the percent-
24 ages used in establishing the basic elementary
25 per pupil operating rate and the basic secondary
26 per pupil operating rate in sections 15505 and
27 15507. Medical costs shall not be allowable as a
28 part of a tuition charge.

29 Sec. 5. 20-A MRSA §15508, sub-§5, ¶A, as enacted
30 by PL 1981, c. 693, §§5 and 8, is amended to read:

31 A. The vocational educational allocation shall
32 be determined by multiplying the expenditures for
33 vocational educational programs serving the
34 school administrative unit by the percentage used
35 in establishing the basic secondary per pupil
36 operating rate in sections 15505 and 15507.

37 Sec. 6. 20-A MRSA §15508, sub-§6, ¶A, as enacted
38 by PL 1981, c. 693, §§5 and 8, is amended to read:

COPY

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Fiscal Note

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Part A \$10.7 mills state share

3

Part B \$ 3.5 mills state share

4

Part C \$ 1.1 mills state share

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STATEMENT OF FACT

6 Part A changes the state's computation of the
7 state average per pupil operating costs to include
8 all operation costs. This will benefit all unit's
9 spending above the state average. It also changes
10 the mechanism to aid below state average units by
11 making available to them their own average expendi-
12 tures plus 1/2 the difference up to the state aver-
13 age. If a unit does not budget the total amount
14 available, their state and local shares will be
15 reduced by the same proportion.

16 Part B adds the same inflation update to categor-
17 ical programs - transportation operation, vocational
18 education and special education - as is currently
19 applied to general operating costs.

20 Part C guarantees that local leeway will be
21 funded at 40% - the original intention of the Legis-
22 lature when it enacted the Finance Act. It also
23 applies the same inflation adjustment to the dollar
24 amount available per pupil as is currently applied to
25 general operating costs. Similar to the method used
26 in determining the local share of the state and local
27 allocation, the Commissioner of Education will estab-
28 lish a mill rate to meet the 40% and dollar amount
29 per pupil established in statute.

30

3642050283

April 1983

AN ACT TO REVISE THE SCHOOL FINANCE ACT
OF 1978

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

Section 1. 20-A MRSA, Chapter 605, the School Finance Act, is repealed.

Section 2. 20-A MRSA, Chapter 605, the School Finance Act of 1985, is enacted to read:

CHAPTER 605

THE SCHOOL FINANCE ACT OF 1985

§ 15501. Short Title

This chapter may be cited as the "School Finance Act of 1985".

§ 15502. Intent

1. Contributions from General Fund. It is the intent of the Legislature to provide at least 55% of the cost of the total allocation from General Fund revenue sources or a percentage no less than that provided in the year prior to the year of allocation, whichever is greater.

2. Amount of actual operating and program costs. It is the intent of the Legislature that the actual operating and program costs, as annually established by the Legislature, shall be an amount sufficient to meet the level of the costs in the year prior to the year of allocation.

§ 15503. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Actual education costs. "Actual education costs" means the state and local expenditures during the base year for the programs and adjustments specified in sections 15504 and 15512.
2. Actual local operating costs. "actual operating costs" shall include all costs except the following:
 - A. Program costs for special education costs in subsection 19, vocational education costs in subsection 27, and transportation operating costs in subsection 26;
 - B. Bus purchase costs;
 - C. Debt service costs;
 - D. Community service costs;
 - E. Major capital costs; and
 - F. Expenditures from all federal revenue sources except for amounts received under Public Law 81-874.
3. Actual local operating costs adjusted. "Actual operating costs adjusted" means actual operating costs in subsection 2 adjusted to meet the level of the costs in the year prior to the year of allocation.
4. Actual local program costs. "Actual program costs" shall include all costs for the following:
 - A. Special education costs in subsection 19;
 - B. Vocational education costs in subsection 27; and
 - C. Transportation operating costs in subsection 26.
5. Actual local program costs adjusted. "Actual local program costs adjusted" means actual program costs in subsection 4 adjusted to meet the level of the costs in the year prior to the year of allocation.

§ 15503. Definitions - (Continued)

6. Base year. "Base year" means the 2nd year prior to the year of allocation of funds.
7. Bus purchase costs. "Bus purchase costs", for the purposes of this Chapter, includes:
 - A. Expenditures for bus purchases approved by the commissioner and made during the year prior to the year of allocation; and
 - B. The portion of contracts in the year prior to the year of allocation for transportation services approved by the commissioner applicable to purchases of buses.
8. Debt service costs. "Debt service costs", for subsidy purposes, includes:
 - A. Principal and interest costs for approved major capital projects in the year of allocation;
 - B. Lease costs for school buildings when the leases have been approved by the commissioner for the year prior to the year of allocation; and
 - C. The portion of the tuition costs applicable to the insured value factor computed under Title 20, section 5806 for the base year.
9. Elementary grades. "Elementary grades" includes a childhood educational program, as defined by section 5201, through grade 8.
10. Debt service millage limit. "Debt service millage limit" means the equivalent of a mill rate which, if applied to the state valuation of an administrative unit, shall limit the local share of debt service required under section 15511, subsection 1, paragraph A.
11. Foundation allocation. "Foundation allocation" means the total of actual local operating costs and actual local program costs adjusted to the equivalent of the year prior to the year of allocation.
12. Foundation per pupil operating rate. "Foundation per pupil operating rate" means the rate established by the Legislature in section 15507, subsection 1.

13. Institutional resident. "Institutional resident" means a person between the ages of 5 and 20 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. It shall not include students attending private facilities, regardless of the means of placement.

14. Local share of the foundation allocation. "Local share of the foundation allocation" means a school administrative unit's share of the foundation allocation.

15. Local share percentage. "Local share percentage" means the rate computed by dividing the local share of the operating cost allocation by the maximum operating cost allocation, expressed as a percentage, under section 15509, subsection 1, paragraph A.

16. Major capital costs. "Major capital costs" means costs relating to school construction projects as defined in section 15901.

17. Minor capital costs. "Minor capital costs" means costs relating to maintenance of plant and minor remodeling and site development not in conjunction with a construction project.

A. Minor capital costs shall not include construction of new buildings or the purchase of land.

B. Expenditures to repay funds borrowed for maintenance of plant and minor remodeling shall be considered minor capital costs in the year which these funds are repaid.

18. Municipality. "Municipality" includes cities, towns and organized plantations.

19. Program millage limit. "Program millage limit" means the equivalent of a mill rate which, if applied to the state valuation of an administrative unit, shall limit the local share of the program allocation required under section 15509, subsection 1, paragraph B.

20. Secondary grades. "Secondary grades" means grades 9 through 12.

21. 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 which have been approved by the commissioner; medical costs shall not be allowable as part of a tuition charge; and
- C. The cost of programs for gifted and talented students which have been approved by the commissioner.

22. State share of the foundation allocation. "State share of the foundation allocation" means the state's share of the foundation allocation.

23. State-operated institution. "State-operated institution" means any residential facility or institution which is operated by the Department of Mental Health and Mental Retardation.

24. State share percentage. "State share percentage" means the rate computed by dividing the state share of the operating costs allocation by the maximum operating cost allocation, expressed as a percentage, under section 15509, subsection 1, paragraph A.

25. State subsidy. "State subsidy" means the total of the state share of the foundation allocation, the state share of the debt service allocation if any, and the state share of the bus purchase allocation if any.

26. Subsidy indices. "Subsidy indices" means the equivalent of mill rates which, if applied to the state valuation of all municipalities, would raise not more than 55% of the total allocation and would establish the operating cost millage, the program millage limit and the debt service millage limit.

These indices may not be levied but shall be used for the purpose of computing allocations.

27. Total allocation. "Total allocation" means the total of the foundation allocation, the debt service allocation, and the bus purchase allocation.

28. Transportation operation cost. "Transportation operating costs", for subsidy purposes, means all costs incurred in the transportation of pupils in kindergarten through grade 12, excluding the costs of bus purchases.

§ 15503. Definitions - (Continued)

29. 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.

30. Year. "Year" means a fiscal year starting July 1st and ending June 30th of the succeeding year.

§ 15504. Notification of actual education costs; other information; mandatory reports; audit adjustments.

1. Notification; items. Prior to December 1st of each year, the commissioner shall notify the Legislature and the Bureau of the Budget of actual education costs. This notification shall include the following items:

A. Operating costs;

B. Special education costs for programs operated by school administrative units;

C. Special education tuition and board, excluding medical costs, defined as follows:

(1) Tuition and board for pupils placed by school administrative units;

(2) Tuition and board for pupils placed directly by the State in accordance with rules adopted or amended by the commissioner;

(3) Special education tuition and other tuition for institutional residents of state-operated institutions attending programs in school administrative units in accordance with rules adopted or amended by the commissioner; and

(4) Adjustments under section 15512, subsection 6;

D. Vocational education costs;

E. Transportation operating costs;

F. Bus purchase costs;

G. Debt service costs;

H. Costs of reimbursement for private school services;

I. Cost of state expenditures for teachers' retirement benefits.

§ 15504. Notification of actual education costs; other information; mandatory reports; audit adjustments. - (Continued)

2. Additional information. The commissioner shall provide additional information requested by the Legislature.

3. Required reports; subsidy payments withheld. A school administrative unit shall provide the commissioner with information the commissioner requests to carry out the purposes of this chapter, according to time schedules which the commissioner shall establish.

The commissioner may withhold monthly subsidy payments from a school administrative unit when information is not filed in specified format and content and within specified time schedules.

4. Audit adjustments. The commissioner may correct errors revealed by audit.

§ 15505. Commissioner's recommendation for funding levels; computations; guidelines.

1. Annual certification. Prior to December 15th of each year, the commissioner, with the approval of the state board, shall certify to the Governor and the Bureau of the Budget the funding levels the commissioner recommends for sections 15504 and 15513.

2. Funding level computations. The following are the funding level computations that support the commissioner's funding level recommendations.

A. Foundation per pupil operating rate. The foundation per pupil operating rate shall be the summary of actual local operating costs of all school administrative units of the base year adjusted to year prior to the year of allocation divided by the average total resident pupils in sections 5104 and 6004 educated at public expense in grades kindergarten through grade 12 on April 1st and October 1st of the calendar year prior to the year of allocation.

(1) Elementary foundation per pupil operating rate. The foundation per pupil operating rate shall be the summary of actual local operating costs of all school administrative units of the base year adjusted to year prior to the year of allocation divided by the average total resident pupils in sections 5104 and 6004 educated at public expense in grades kindergarten through grade 8 on April 1st and October 1st of the calendar year prior to the year of allocation.

§ 15505. Commissioner's recommendation for funding levels; computations; guidelines - (Continued)

(2) Secondary foundation per pupil operating rate.

The foundation per pupil operating rate shall be the summary of actual local operating costs of all school administrative units of the base year adjusted to year prior to the year of allocation divided by the average total resident pupils in sections 5104 and 6004 educated at public expense in grades 9 through 12 on April 1st and October 1st of the calendar year prior to the year of allocation.

B. The requested funding levels for operating costs under section 15504, subsection 1, paragraph A shall be the actual local operating costs for the base year adjusted to the equivalent of the year prior to the year of allocation.

C. The requested funding levels for program costs under section 15504, subsection 1, paragraph B; paragraph C, subparagraph (1); paragraph D, and paragraph E shall be the actual local program costs for the base year adjusted to the equivalent of the year prior to the year of allocation.

D. The requested funding levels for debt service under section 15504, subsection 1, G shall be as follows:

(1) The known obligations and estimates of anticipated principal and interest costs for the year of allocation;

(2) The expenditures for the insured value factor for the base year.

(3) The level of leases approved by the commissioner for the year prior to the year of allocation.

E. The requested funding levels for bus purchases under section 15504, subsection 1, paragraph F shall be the level of purchases and/or the portion of a transportation contract attributable to acquisition of buses approved by the commissioner for the year prior to the year of allocation.

F. The requested funding levels for special education under section 15504, subsection 1, paragraph C, subparagraph (2) and (3) shall be computed by estimating costs for the year of allocation.

§ 15505. Commissioner's recommendation for funding levels; computations; guidelines - (Continued).

G. The requested funding levels for adjustments under section 15512 shall be computed by estimating costs for the year of allocation.

H. The requested funding levels for reimbursement for private school services under section 15504, subsection 1, paragraph H shall be the actual costs for the base year.

3. Guidelines for actual local operating and program costs. The commissioner's recommendation for actual local operating and program costs adjusted shall reflect changes in pupil enrollment, economic factors, actual changes in educational costs, and any other considerations which effect a change in the costs of education. The commissioner shall be conscious of the need for prudent restraint in educational financing.

§ 15506. Governor's recommendation for funding levels.

The Bureau of the Budget shall annually certify to the legislature the funding levels which the governor recommends for sections 15504 and 15512.

The governor's recommendations shall be transmitted to the Legislature within the time schedules set forth by Title 5, section 1666.

§ 15507. Actions by the Legislature.

The Legislature shall annually, prior to April 1st, enact legislation which shall:

1. Foundation per pupil operating rate. Establish the foundation per pupil operating rate and the elementary and secondary foundation per pupil operating rates.

2. Subsidy indices. Establish: (a) an operating cost millage; (b) a program millage limit; and, (c) a debt service millage limit.

3. Appropriation for the state share of the foundation. Appropriate the necessary funds to meet the maximum state obligation for the state's share of the foundation allocation under section 15510.

4. Appropriation for state share of debt service. Appropriate the necessary funds for the state's share of debt service under section 15511.
5. Appropriation for state share of bus purchases. Appropriate the necessary funds for the state's share of bus purchases under section 15511.
6. Appropriation for geographic isolation. Appropriate the required funds for adjustments due to geographic isolation in section 15512, subsection 1.
7. Appropriation for unusual enrollment increase. Appropriate the required funds for adjustments for unusual enrollment increases in section 15512, subsection 2.
8. Appropriation for small administrative units. Appropriate the necessary funds for adjustments to small school administrative units which qualify under section 15512, subsection 3.
9. Appropriation for quality programs. Appropriate the necessary funds for quality incentive adjustment for school administrative units which qualify under section 15512, subsection 4.
10. Appropriation for special education pupils placed directly by the state. Appropriate the necessary funds for.
 - A. Tuition and board for pupils placed directly by the state in accordance with rules adopted or amended by the commissioner; and
 - B. Special educational tuition and other tuition for residents of state-operated institutions attending programs in school administrative units in accordance with rules adopted or amended by the commissioner.
11. Appropriation for audit adjustments. Appropriate the necessary funds for audit adjustments.
12. Appropriation for non-public school services. Appropriate the necessary funds for reimbursement for non-public school services under section 15513, subsection 3.

§ 15508. Computation of the maximum State-local allocation prior to adjustments.

The Commissioner shall compute the maximum foundation allocation for each school administrative unit, as follows:

1. Operating cost allocation. The maximum operating cost allocation shall be the total of:

A. The product determined by multiplying the average number of resident pupils in grades K-8 in the unit on April 1st and October 1st of the calendar year immediately prior to the year of allocation, excluding special education tuition pupils, by the elementary foundation per pupil operating rate as established in section 15507; and

B. The product determined by multiplying the average number of resident pupils in grades 9-12 in the unit on April 1st and October 1st of the calendar year immediately prior to the year of allocation, excluding special education tuition pupils, by the secondary foundation per pupil operating rate as established in section 15507.

2. Program costs allocation. The program costs allocation shall be the total of the following program costs:

A. Special education programs. The special education portion of the program cost allocation shall be the special education costs in section 15503, subsection 21, as adjusted.

B. Vocational education programs. The vocational education portion of the program costs allocation shall be the actual expenditures for vocational education programs in section 15503, subsection 29, as adjusted.

C. Transportation operating programs. The transportation operating portion of the program costs allocation shall be the actual expenditures for transportation operating costs for the unit as adjusted.

§ 15509. Computation of maximum local share of the foundation allocation.

1. Maximum local share of the foundation allocation computation. The commissioner shall compute the local share of the foundation allocation by adding the following:

§ 15509. Computation of maximum local share of the foundation allocation. -
(Continued)

A. The local share of the allocation for operating costs shall be the product of the operating cost millage established under section 15507 and the state valuation of the municipalities in the administrative units. The commissioner's computation of the local share of the allocation for operating costs for each unit or member municipality within a school administrative district or community school district shall not exceed the total operating allocation of each municipality.

(1) The local share percentage shall be the proportion that the local share of the allocation for operating cost is to the maximum operating cost allocation. The state share percentage shall be the proportion that the state share of the allocation for operating cost is the maximum operating cost allocation.

B. The local share of the allocation for program costs shall be the actual local program costs in the base year adjusted and multiplied by the local share percentage determined in paragraph A of this subsection or the program millage limit established in section 15507 times the state valuation of the municipalities in the administrative unit, whichever is less.

(1) The program millage limit shall be 1.20 mills in 1985-86 and shall be adjusted for each year of distribution in the same proportion that the operating cost millage changes.

§ 15510. Computation of State Share of the Foundation Allocation.

1. State share of the foundation allocation computation; limitation. The commissioner shall compute the state share of the foundation allocation for each unit as follows:

A. The state share of the allocation for operating costs shall be the difference between the local share of the allocation and the maximum operating cost allocation.

B. The state share of the allocation for program costs shall be the difference between the local share of the allocation and the total program cost allocation.

§ 15510. Computation of State Share of the Foundation Allocation. - (Continued)

C. The state share of the foundation allocation for each administrative unit shall be limited to the same proportion of the maximum allocation as the local administrative unit raises of its maximum local share of the foundation allocation.

D. The commissioner shall reduce the state share of the foundation allocation to an 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.

§ 15511 Computation of Local and State Shares for Debt Service and Bus Purchases.

1. Debt service. The commissioner shall compute the local share of allocation for debt service for each unit as follows:

A. The local share of allocation for debt service shall be the product of the debt service allocation multiplied by the percentage local share determined in section 15509 or the debt service millage limit established in section 15507 times the state valuation of the municipalities in the administrative units, whichever is less.

(1) The debt service millage limit shall be 0.70 mills in 1985-86 and shall be adjusted for each year of distribution in the same proportion that the operating cost millage changes.

2. Bus purchases. The commissioner shall compute the local share of allocation for bus purchases for each unit as follows:

A. The state share of allocation for bus purchases shall be limited to the product of the bus purchase allocation multiplied by the local share percentage of operating costs in section 15509.

3. State shares. The State shares of allocation for debt service and bus purchases shall be the difference between the allocations and the local shares as follows:

A. The state share of allocation for debt service shall be the difference between the local share of allocation for debt service and the debt service costs in section 15503.

§ 15511. Computation of Local and State Shares for Debt Service and Bus Purchases. - (Continued)

B. The state share of allocation for bus purchases shall be the product of the bus purchase costs in § 15503 multiplied by the state share percentage of operating costs in § 15510.

§ 15512. Adjustments to the State Share of the Foundation Allocation.

Adjustments to the state share of the foundation allocation shall be made as allowed in subsections 1 through 4 for each school administrative unit that has raised the maximum amount of its local share of the foundation allocation for operating costs.

1. Quality incentive adjustments; computation of adjustment.
The following provisions apply to incentives for quality programs.

A. A school administrative unit qualifies for a quality incentive adjustment if its per pupil operating costs in the base year exceed the foundation per pupil operating rate in the year of allocation by 20% or less.

B. The adjustment shall be one-half the difference between the unit's operating costs in the base year and the operating allocation in the year of allocation multiplied by the state share percentage as determined in section 15509.

2. Geographic isolation; determination; adjustment limitation.
The following provisions apply to geographic isolation, determination and adjustment limitation:

A. The commissioner, with the approval of the State Board, shall determine geographic isolation if a school administrative unit operates a school which is located an unreasonably long distance from another school facility in another unit or is situated in a location which has unique problems in transporting students to another school administrative unit.

B. If the school administrative unit is declared to be geographically isolated, the commissioner shall adjust the operating allocation to meet the educational needs of that unit.

C. The geographic isolation adjustment shall not exceed the amounts expended by the school administrative unit in the base year which were in excess of the operating allocation in the year of allocation.

3. Unusual enrollment increase, computation of adjustment; local authorization. The following provisions apply to unusual enrollment increase, computation of adjustment, proration, local authorization and contingent accounts:

A. A school administrative unit may qualify for an unusual enrollment adjustment when the increase in pupils between October 1st of the year of allocation of funds and October 1st of the year prior to the year of allocation of funds is 3% or more. The number of pupils in excess of a 3% increase shall be multiplied by the foundation per pupil operating rate as established in section 15503 to determine the allowable adjustment.

B. A school administrative unit may expend any funds received through this adjustment without calling for a special meeting of the local legislative body.

4. Small administrative unit subsidy adjustments; legislative intent. A school administrative unit may qualify for one of the following small unit subsidy adjustments:

A. If a school administrative unit is operating an elementary school with 25 pupils or less in kindergarten through grade 8 during the school year immediately prior to the year of allocation, it shall receive a minimum allocation for operating costs equal to $\frac{5}{3}$ of the state average elementary teachers salary in the school year immediately prior to the year of allocation as determined by the commissioner.

B. If a school administrative unit is not operating an elementary school or a secondary school and has 25 pupils or less in kindergarten through grade 8 during the school year immediately prior to the year of allocation, it shall receive a minimum allocation computed by multiplying the elementary or secondary pupil enrollment on October 1st in the year of allocation by the foundation per pupil operating rate or the actual cost of tuition payment in the year of allocation, whichever is less.

C. The small unit subsidy adjustment shall guarantee a minimum subsidy payment for operating costs to those school administrative units which qualify and it shall be made only after the adjustments in subsections 1 to 3 have been made.

5. Pupils on federal land; adjustment; limitation. The following provisions apply to pupils on federal land, adjustment and limitation.

A. A school administrative unit which enrolls eligible pupils under the United States Laws of September 30, 1950, Chapter 1124, United States Code, Section 236, et seq., Public Law 81-874, shall count those pupils as resident pupils for purposes of this chapter.

B. The state share of the foundation allocation to that school administrative unit shall be adjusted by subtracting the receipts under the United States Laws of September 30, 1950, Chapter 1124, United States Code, Section 236, et. seq., Public Law 81-874, in the same proportion that total local revenues under the state equalization program are to total local revenues for education in that unit.

C. The amount subtracted under paragraph B may not exceed 90% of the school administrative unit's entitlement for the year prior to the year of allocation or the year of allocation, whichever is less. In adjusting the allocation, the amounts subtracted for pupils residing on land under control of the Federal Government or a federal agency, or on a federal military reservation shall not exceed 1/2 of the national average expenditure per pupil, as computed by the Federal Government, multiplied by the number of students in the school administrative unit.

6. Special educational adjustment; guidelines; limits; local authorization. The following provisions apply to special educational adjustment, guidelines, limits and location authorization.

A. If a school administrative unit petitions the commissioner and demonstrates that the unexpected costs of placement for educational purposes of a student in a special educational program will cause a budgetary hardship, the commissioner may adjust the unit's state subsidy to include an amount not to exceed the educational cost of the placement under rules adopted or amended by the commissioner.

B. The funds for the adjustment shall be limited to the amount appropriated by the Legislature for that purpose.

C. School boards may expend the funds allocated without seeking approval from their legislative bodies.

§ 15512. Adjustments to the State Share of the Foundation Allocation -
(Continued)

7. Audit adjustments. The following provisions apply to audit adjustments.

A. If errors are revealed by audit and/or by the commissioner, the school administrative unit's foundation allocation shall be adjusted to include corrections.

§ 15513. Authorization and schedules of payment of state subsidy; appeals; limitations.

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 section 15005, sections 15901 to 15910 and Title 20, sections 3457 to 3460.

2. Notification of allocation; commissioner's duty; superintendent's duty. The following provisions apply to notification of allocation, commissioner's duty and superintendent's duty.

A. The commissioner shall annually prior to April 21st notify each school board of the amount 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 shall be made directly to the treasurer of each school administrative unit. They shall be based on audited financial reports submitted by school administrative units.

4. Nonpublic school service reimbursements. The following provisions apply to nonpublic school service reimbursements.

A. Notwithstanding any other provision of this chapter, if students attend nonpublic schools that are not operated for profit in whole or in part, the commissioner shall reimburse 50% of the expenditures of the base year for providing services to these nonpublic school students as authorized by Title 30, section 5104, subsections 5 to 8. Municipal officers shall report these expenditures to the commissioner on forms provided by the commissioner.

§ 15513. Authorization and schedules of payment of state subsidy; appeals; limitations. - (Continued)

B. The total amount reimbursed under this section shall not exceed the level of funds appropriated for this item under section 15507, subsection 12.

C. Municipal officers shall submit documentation demonstrating the amount of money appropriated for nonpublic school student services for the base year.

D. The commissioner may adopt or amend rules to assure that:

(1) All sums reimbursed were utilized and actually expended for programs authorized pursuant to Title 30, section 5104, subsections 5 to 8;

(2) No municipality receives reimbursement for a student who attends school at public expense; and

(3) All services provided to nonpublic school students that require professional personnel are provided by public employees.

5. Direct special educational payments. The commissioner may make tuition and board payments directly to private special educational boarding schools which receive state wards or other pupils placed directly by the state.

6. Education of institutional residents. The commissioner may pay tuition to school administrative units for institutional residents within the limits of the appropriation made under section 15507, subsection 12.

7. 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 shall be final as to facts supported by the record of the appeal.

8. School purpose expense requirement. Notwithstanding any other public or private statute, money allocated for school purposes shall be expended only for school purposes.

9. Balance of allocations. Notwithstanding any other public or private statute, balances of allocations at the end of a school administrative unit's fiscal year shall be carried forward to meet the next year's school needs.

10. Payment of previous year's state share of local leeway. For the 1985-86 fiscal year only, the commissioner is authorized to pay to eligible local administrative units the state share of local leeway for the period January 1984 through June 1984.

§ 15513. Authorization and schedules of payment of state subsidy; appeals; limitations. - (Continued)

11. Guarantee of state subsidy for 1985-86. For the 1985-86 year only, the commissioner is authorized to pay local educational units the 1984-85 state subsidy or the 1985-86 state allocation, whichever is greater.

§ 15514. Local Appropriations

The following provisions shall apply to local appropriations for school purposes:

1. Foundation allocation. The legislative body of each school administrative unit may vote to raise and appropriate an amount up to the local share of the foundation allocation.

A. An article in substantially the following form shall be used when a school administrative unit is considering the appropriation of the foundation allocation:

"Article _____: To see what sum the municipality/district will appropriate from the foundation allocation for school purposes (Recommend \$ _____) and to see what sum the municipality/district will raise as the local share of the foundation allocation (Recommend \$ _____)."

2. Debt service allocation. The legislative body of each school administrative unit may vote to raise and appropriate an amount up to the local share of the debt service allocation.

A. An article in substantially the following form shall be used when a school administrative unit is considering the appropriation for debt service allocation:

(1) "Article _____: To see what sum the municipality/district will raise as the local share of debt service (Recommend \$ _____)."

3. Additional local appropriation. A school administrative unit may raise and expend funds for educational purposes in addition to the funds under sections.

4. Actions in subsections 1 through 3 shall be taken by a recorded vote.

§ 15514. Local Appropriations - (Continued)

5. Exception. The provisions of subsections 1 through 3 shall not apply to a school administrative unit in which the local share of the foundation allocation is equal to or greater than its foundation allocation, but that unit shall report to the commissioner the amount of the appropriation for foundation allocation, debt service allocation, and additional local appropriation.

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.

§ 15515. 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 shall be presented to the treasurer of each municipality which is a member of the district.

The assessment schedule shall include each member municipality's share of the district's local allocation, local share of debt service, and additional local appropriations.

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.

§ 15516. Special school districts.

1. School administrative unit. For the purposes of section 15519 and Title 20, sections 3457 to 3460, a special school district shall be deemed to be a school administrative unit.

2. Debt service. Debt service on bonds or notes issued by a special school district shall be included in the school budget of the school administrative unit which operates the schools constructed by that district. The school board for the school administrative unit which 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.

§ 15517. School budget; budget formats.

1. Content. A school administrative unit shall include in its school budget document:

A. Its foundation allocation, its debt service allocation, if any, any additional expenditures authorized by statute; and

§ 15517. School budget; budget formats. - (Continued)

B. A summary of anticipated revenues and estimated school expenditures for the fiscal year.

2. Budget deadlines. The following time limitations shall apply to adoption of a budget.

A. At least 7 days before the initial meeting of the legislative body responsible for adopting a budget, a detailed budget document shall be available to that legislative body and to any person residing within the geographic area served by the school administrative unit.

B. Notwithstanding a provision of statute or charter to the contrary, school administrative units may adopt an annual budget prior to June 30th, except that the school budgets for vocational regions shall be adopted on or before August 1st.

3. Budget format. The following provisions shall apply to a budget format.

A. Except as provided in subsection 4, the budget format shall be 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.

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, sections 1911 to 1920, except that the amendment shall 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.

§ 15517. School budget; budget formats. - (Continued)

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, the format of the school budget may be determined by the town meeting or under the procedures of Title 30, section 2053 or 2061.

6. Budget format; community school district. The following provisions shall apply to the budget format of a community school district.

A. An article containing the district's proposed budget format shall 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 of 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, sections 2061 to 2065.

C. The district school committee shall:

(1) Issue a warrant specifying that the municipal officers of the municipalities within the community school district 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 shall be included in the budget format and 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 shall be voted on at least 90 days prior to the budget year for which that change is to be effective.

§ 15518. Actions on budget.

The following provisions shall apply to approving a budget.

1. Checklist required. Prior to the articles dealing with school appropriations being voted on, 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 shall be conclusive evidence of the number present at the meeting.

2. Reconsideration. Notwithstanding another statute 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 only be called as follows.

A. It shall be held within 30 days of the regular budget meeting.

B. In a school administrative district or community school district, it shall be called by the school board, or as follows:

(1) At least 10% of the number of voters voting in the last gubernatorial election in member municipalities of the school administrative unit, or 100 voters, whichever is less, shall present a signed petition within 15 days of the regular budget meeting to the school board, specifying the article or articles to be reconsidered; and

(2) On receiving the petition, the school board shall call the special reconsideration budget meeting to be held within 15 days of the date the petition was received.

C. In a municipality the meeting shall 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 and it specifies the article or articles to be reconsidered, or

(2) Within 15 days after receipt of a petition presented in accordance with Title 30, section 2065, if the petition is received within 15 days of the budget meeting and it specifies the article or articles to be reconsidered.

§ 15518. Actions on budget. - (Continued)

3. Invalidation of action of a special reconsideration budget meeting. If a special budget meeting is called to reconsider action taken at a regular budget meeting, the actions of the meeting shall be 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 shall be posted for voter or council action within 15 days of the date of the request.

§ 15519. Bonds: notes; other

All bonds, notes or other evidences of indebtedness issued for school purposes by a school administrative unit, as defined in section 15001, for major capital expenses, bus purchases, or for current operating expenses, including tax or other revenue anticipation notes, shall be general obligations of the unit.

1. Tax assessments. The municipal officers or school board shall require the sums which may be necessary to meet in full the principal of and interest on these bonds, notes or other evidences of indebtedness 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 shall be reduced by the amount of an allocation of funds appropriated by the Legislature to pay the principal and interest owed by the unit in a given year as certified to the school administrative 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, the remaining sum shall be payable from ad valorem taxes which may be levied without limit as to rate or amount upon all the taxable property within the unit.