

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SIXTH LEGISLATURE

Legislative Document

No. 1700

H. P. 1381

House of Representatives, April 3, 1973

Referred to the Committee on Education. Sent up for concurrence and ordered printed.

E. LOUISE LINCOLN, Clerk

Presented by Mr. Carter of Winslow.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-THREE

AN ACT Providing Full Funding of Public Schools from State Sources.

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

Sec. 1. R. S., T. 20, § 1293, repealed. Section 1293 of Title 20 of the Revised Statutes, as repealed and replaced by chapter 221 of the public laws of 1971, is repealed.

Sec. 2. R. S., T. 20, c. 117, repealed. Chapter 117 of Title 20 of the Revised Statutes, as last repealed and replaced by section 23 of chapter 530 of the public laws of 1971, and as amended, is repealed.

Sec. 3. R. S., T. 20, § 2356-B, sub-§ 1, amended. The first paragraph of subsection 1 of section 2356-B of Title 20 of the Revised Statutes, as enacted by section 3 of chapter 440 of the public laws of 1965, is amended to read as follows:

~~Seventy five percent of the~~ **The** cost of constructing and equipping ~~subsequent to the effective date of this Act~~ a building or buildings to be used for the maintenance and operation of a regional technical and vocational center which is approved in accordance with section 2356-A **shall be reimbursed to the unit in accordance with sections 3457 to 3460.**

Sec. 4. R. S., T. 20, § 2356-B, sub-§ 2, amended. The first sentence of subsection 2 of section 2356-B of Title 20 of the Revised Statutes, as enacted by section 3 of chapter 440 of the public laws of 1965, is amended to read as follows:

~~Two thirds of the~~ **The excess** cost of instruction **as defined in section 3742** in approved technical and vocational classes maintained on the secondary level

through grade 12 shall be reimbursed. ~~and 90%~~ **Ninety percent** of the costs of instruction for approved part-time and evening classes for out-of-school youth and adults shall be reimbursed.

Sec. 5. R. S., T. 20, § 2405, amended. Section 2405 of Title 20 of the Revised Statutes is amended by adding a new sentence at the end to read as follows:

Authorization to reimburse units for programs operated under this section is rescinded effective January 1, 1974.

Sec. 6. R. S., T. 20, § 3456, amended. Section 3456 of Title 20 of the Revised Statutes, as amended, is further amended to read as follows:

§ 3456. Reorganized districts shall maintain

~~When administrative units are reorganized by the formation of "School Administrative Districts" as provided in chapter 9, the state subsidy paid annually to each such district, as determined in section 3732, shall be supplemented by an additional 10% of that amount~~

~~In the event that the School Administrative District, within 4 years of the time of its formation, fails to provide the following, the additional bonus payable under this section shall not be paid the district thereafter until such time as such provisions are made:~~

1. **Program.** A program which includes kindergarten through grade 12;

2. **Secondary facility.** Whenever a district enrolls more than 700 pupils in grades 9 through 12, said district may operate more than one 4-year school. Whenever a district enrolls fewer than 700 pupils in grades 9 through 12, it must house the pupils in grades 10 through 12 in one facility within 4 years from the date of the district's formation. A district may meet the requirement of providing a secondary facility by contracting with another unit or with a private academy for a term of from 5 to 20 years. Said facilities may be constituted as 4-year schools, or combined with grades 7 and 8 to form a 6-year school or 2 or more 3-year schools, except for children living remote from a public school as provided in section 912.

~~A School Administrative District which receives its certificate of organization and is placed in operation shall be entitled to supplemental aid beginning the month following the date of organization~~

Sec. 7. R. S., T. 20, § 3457, amended. All of Table II of section 3457 of Title 20 of the Revised Statutes, as enacted by section 2 of chapter 475 of the public laws of 1965, and as repealed and replaced by section 3 of chapter 500 of the public laws of 1971, is repealed and the following enacted in place thereof:

TABLE II

Each administrative unit shall be reimbursed the sums expended for capital outlay projects which have been approved in accordance with the provisions of section 3457 through 3460. The unit shall be reimbursed the amount of

debt service which has been incurred on all approved school construction projects. Construction reimbursements shall be scheduled so that payments may be made in accordance with the payment schedules established by the administrative units. It is the intention of the Legislature, as expressed in section 3711, that in the state fiscal year 1974-75, 45% of the cost of construction shall be paid from a uniform property tax assessed against all the municipalities in the State and that 55% of the cost of construction shall be paid from non-property tax revenues. In each year after 1974-75, the State shall reduce by 5 % the percentage of education costs to be derived from the state uniform property tax and increase by 5% the percentage to be derived from General Fund revenues.

When borrowing for the purpose of school construction, an administrative unit shall deal with either the Maine School Building Authority or the Maine Municipal Bond Bank.

Sec. 8. R. S., T. 20, c. 512, repealed. Chapter 512 of Title 20 of the Revised Statutes, as enacted by section 2 of chapter 496 of the public laws of 1969, and as amended, is repealed.

Sec. 9. R. S., T. 20, c. 512-A, additional. Title 20 of the Revised Statutes is amended by adding a new chapter 512-A to read as follows:

CHAPTER 512-A EDUCATION COSTS

§ 3741. Intent

To provide a relatively equal educational opportunity for all public school students and to reduce the burden of education costs which are borne by the property tax, it is declared to be the intent of the Legislature that the State shall provide all funds for education from state sources. The costs of education will be derived from existing General Fund tax sources and, for a period not to exceed 9 years, from revenues generated by a new source of undedicated General Fund revenue, a state property tax applied at a uniform rate upon the state valuation.

It is further declared to be the intent of the Legislature that for the state fiscal year 1974-75, 45% of the costs of education shall be derived from the state uniform property tax and that 55% of the costs of education shall be derived from other state sources. In each succeeding year, the State shall reduce by 5% the percentage of education costs derived from the state uniform property tax and increase by 5% the percentage derived from General Fund revenues.

§ 3742. Definitions

The following definitions shall apply to state and administrative units' computations under this chapter.

1. Operating costs. Elementary or secondary operating costs shall include all costs except transportation, community services, capital outlay and debt service; reduced by tuition receipts, expenditures from all federal reve-

nue sources and excess expenditures for special and vocational education programs as defined in subsection 4.

2. Average elementary per pupil operating costs. Elementary grades shall include a childhood educational program as defined by section 859, through grade 8. Average elementary per pupil operating costs shall be computed by dividing elementary operating costs by the average number of resident elementary pupils on October 1st and April 1st in the unit in the same fiscal year. July 1st to June 30th. Those average costs so computed shall be used in the distribution of funds to the local units for the succeeding fiscal year.

3. Average secondary per pupil operating costs. Secondary grades shall mean grades 9 through 12. Average secondary per pupil operating costs shall be computed by dividing secondary operating costs by the average number of resident secondary pupils on October 1st and April 1st in the unit in the same fiscal year, July 1st to June 30th. Those average costs so computed shall be used in the distribution of funds to the local units for the succeeding fiscal year.

4. Excess costs. Excess costs shall apply only to those expenditures made for special and vocational education programs. Excess costs shall be defined as those expenditures for special and vocational education programs which exceed the local average elementary or secondary expenditure per pupil. An administrative unit's total expenditures for special and vocational education programs, including tuition expenditures for pupils attending such programs outside of the local unit, shall be divided by the number of elementary or secondary pupils in average daily membership in those programs to determine an average elementary or secondary per pupil operating cost for special and vocational education programs in that unit. A unit's excess costs for special and vocational education programs shall be computed by multiplying the number of average resident elementary or secondary pupils enrolled in such special and vocational education programs by the excess cost per elementary or secondary pupil by which special and vocational education programs exceed the average elementary or secondary per pupil operating costs in that local unit.

5. Special education for subsidy purposes. Special education, for subsidy purposes, shall include educational programs for children with special needs which have been approved by the commissioner.

6. Vocational education for subsidy purposes. Vocational education, for subsidy purposes only, shall mean training in trade, industrial, agricultural, technical and service occupations. It shall not include business education, consumer education, or home economics programs.

7. School aid payments. School aid payments shall be made directly to the treasurer of each administrative unit and shall be based upon the number of resident pupils educated at public expense and contingent expenditures as outlined in this chapter based upon audited financial reports submitted by the various administrative units.

8. Appeals. The computation of aid for any unit may be appealed in writing to the State Board of Education by the school committee or board of directors of any school unit within 30 days from the date of notification of the computed amount. The board shall review the appeal and make an adjustment if in its judgement such an adjustment is fully justified. The board's decision shall be final as to facts supported by the records of the appeal.

§ 3743. Computation of unit allocations

A sum of money shall be recommended by the State Board of Education to the Bureau of the Budget, said sum to equal the estimated cost of education for each year of the biennium. For the state fiscal year 1974-75, 55% of the estimated sum shall be derived from state sources and 45% of the sum from a uniform property tax. For each succeeding year the state shall reduce by 5% the percentage of education costs to be derived from the state uniform property tax and increase by 5% the percentage to be derived from General Fund revenues. The Bureau of the Budget shall include this recommended amount in the Part I Budget.

The basis of allocation of funds to each unit shall be computed as follows:

1. The average number of resident pupils educated at public expense on October 1st and April 1st of each school year shall be used in the computation of aid as follows:

A. Multiply the average number of resident elementary pupils in the unit by the state average elementary per pupil cost. The amount to be distributed for the 1974-75 fiscal year only shall be \$600 per pupil.

B. Multiply the average number of resident secondary pupils in the unit by the state average secondary per pupil cost. The amount to be distributed for the 1974-75 fiscal year only shall be \$915 per pupil.

C. Compute the excess cost for special education in the preceding year.

D. Compute the excess cost for vocational education in the preceding year.

E. Record expenditures from state and local revenue receipts for the transportation of pupils. Reimbursement for such expenditures shall be limited to an amount not in excess of a 7% increase over the previous year.

F. Record the expenditures from state and local revenue receipts for capital outlay projects approved by the local unit.

G. Record the expenditures from state and local revenue receipts for debt service projects which have been approved by the local unit and the state board.

2. Total the amounts computed and recorded for subsection 1, paragraphs A to G. The sum thus obtained shall become the basis for allocation to the unit, subject to adjustments as defined below.

3. Adjustments to the allocation in subsection 1, paragraphs A and B, may be made as follows:

A. If the per pupil expenditure in the unit from local and state revenues for the year preceding subsidy distribution was less than the state average elementary or secondary per pupil cost, the per pupil allocation for elementary or secondary pupils shall be limited to an increase of $\frac{1}{3}$ of the difference between the per pupil cost of the unit and the state average elementary or secondary per pupil operating cost.

B. If the per pupil expenditure in the unit from local and state revenues for the preceding year for elementary or secondary pupils is above the state average, the allocation shall be frozen at $\frac{1}{2}$ the difference between the state average per pupil cost and the local average per pupil cost expended during the 1973-74 school year or the state average per pupil allocation, whichever is greater. Each unit may appropriate additional local funds to maintain its average per pupil expenditure level as computed for the 1973-74 school year until such time as the average state elementary and secondary per pupil cost equals or exceeds the expenditures for the operating costs of such unit for elementary and secondary pupils for the school year 1973-74.

C. If the unit is declared to be geographically isolated by the State Board of Education, the board shall adjust, at its discretion, the per pupil allocation to that unit to meet the educational needs of that unit, except that no adjustments shall be made until the local additional appropriations as specified in subsection 7 have been used and are shown to be inadequate.

D. In any municipality, the assistance in federally affected areas (Title I, P. L. 81-274) plus state operational aid may not exceed the state average per pupil distribution of the unit's cost if it is higher as defined in subsection 3, paragraph B. by more than 7%. State aid shall be adjusted to stay within the above guideline. Every unit eligible to receive assistance in federally affected areas shall annually file application to receive such funds. Failure to annually check such eligibility shall result in application of a financial penalty equivalent to the loss in federal aid under section 854.

4. Allocations in the months of July through October shall be based on the October 1st and April 1st average enrollments of the preceding school year.

5. Allocations in the months of July through October shall be based on the state average per pupil operating cost of the 2nd year preceding allocation adjusted by a $7\frac{1}{2}\%$ increase.

6. Allocations shall be subsequently adjusted to give each unit its proper allocation based upon the previous year's state average cost and the enrollments in the current year as recorded on October 1st and April 1st.

7. The legislative body of the administrative unit may, in addition to any local funds raised and appropriated under section 3743, subsection 1, paragraph B, authorize an additional expenditure per pupil for either elementary or secondary pupils or both, not to exceed a local appropriation of 5 mills on the state valuation of the unit. For each mill authorized by the local unit for elementary or secondary pupils or both, the state shall distribute \$25 per

pupil or a portion thereof for each portion of a mill appropriated by the unit within the unit's fiscal year.

Before the legislative body of the administrative unit may authorize such an additional expenditure, need must be presented and the authorization approved by the Commissioner of Educational Cultural Services.

Whenever a unit has authorized an additional local school levy, the treasurer shall pay to the Treasurer of State the proceeds of the levy so authorized in periodic installments coinciding with the payments of the uniform state property tax.

8. From the aid computed for each unit shall be deducted a sum of money which shall be paid directly to the superintendent of schools under sections 154 and 155. This sum shall be equal to the amount distributed in 1972-73 from each unit. If the aid of the unit is not greater than the amount to be withheld, the unit shall pay the entire share of the superintendent's costs from local funds, and any state aid that is payable to the unit shall be paid directly to the unit.

9. Notwithstanding any other public or private statute to the contrary, all moneys allocated for school purposes must be expended for school purposes only.

10. Balances of allocations at the end of the unit's fiscal year may be carried forward to meet the next year's school needs in an amount not to exceed 10% of the total allocation. Any excess above this amount shall be returned to the State Treasurer.

Sec. 10. R. S., T. 36, § 451, repealed and replaced. Section 451 of Title 36 of the Revised Statutes, as amended, is repealed and the following enacted in place thereof:

§ 451. Rate of tax

The Commissioner of Educational and Cultural Services shall, prior to February 15, 1974 certify to the State Tax Assessor 45% of the estimated total public school education costs for the current school year to be completed. In each succeeding year the percentage to be certified shall be reduced by 5 percentage points. For the necessary expenses of local and state government a tax is assessed at a rate that is equivalent to 45% of the estimated total statewide public school education costs in the current year and reduced 5% in each succeeding year, divided by the total of the most recent state valuation adjusted upward to the nearest half mill as filed under section 381 or section 381-A at 100% valuation plus 6½ mills on the dollar applied to a 100% valuation for the property tax year commencing April 1, 1974; 8 mills effective April 1, 1975; 6½ mills effective April 1, 1976; 11 mills April 1, 1977; and 12½ mills effective April 1, 1978 and every year thereafter upon each municipality, township and each lot and parcel not included in any township in the state. In any event, such rate shall never exceed whatever shall from time to time be weighted average municipal tax rate. The "weighted average municipal tax rate" means the total municipal property taxes levied state-

wide for the previous year as determined by the State Tax Assessor from the annual return of municipal assessors pursuant to section 383 divided by the state valuation of municipalities in effect for the previous year adjusted to a 100% basis. The valuation as determined by the State Tax Assessor, as set forth in the statement filed by him as provided by section 381 or section 381-A, shall be the basis for the computation and apportionment of the tax assessed.

Sec. 11. R. S., T. 36, § 453, repealed and replaced Section 453 of Title 36 of the Revised Statutes, as amended, is repealed and the following enacted in place thereof:

§ 453. Payment of state tax by municipalities

The Treasurer of State, in his said warrants, in 1974 shall require the said mayor and aldermen, selectmen or assessors, respectively, to pay or to issue their several warrants requiring the collectors of their several municipalities to collect and to pay to the treasurers of their respective municipalities the sums against said municipalities required by this subchapter.

Said municipal treasurer shall pay to the Treasurer of State on or before the first day of December next, the following sum:

1. If the amount appropriated by property taxes by said municipality for the school year 1973-74 for elementary and secondary school operating costs equals or exceeds the revenue yield of a mill rate of 10.5, applied to a 100% valuation as determined by the State Tax Assessor, said municipal treasurer shall pay a sum equivalent to 13 mills applied to a 100% valuation as determined by the State Tax Assessor, from the proceeds of the tax assessed under section 451; or

2. If the amount appropriated by property taxes by said municipality for the school year 1973-74 for elementary and secondary school operating costs is less than the revenue yield of a mill rate of 10.5 applied to a 100% valuation as determined by the State Tax Assessor said municipal treasurer shall each year pay a sum equivalent to the following:

A. The mill rate, applied to a 100% valuation as determined by the State Tax Assessor, equivalent to the revenue yield of the amount expended by such municipality for the school year 1973-74 for elementary and secondary school operating costs plus;

B. An increment increase of 2.5 mills, applied to a 100% valuation as determined by the State Tax Assessor for the initial and each successive year until the sum of paragraphs A and B total 13 mills, from the proceeds of the tax assessed under section 451.

The balance of the sums so assessed in each municipality shall be disbursed by the treasurer thereof for necessary expenses of local government as determined or appropriated for the public welfare within the purposes specified in Title 30, which Title sets forth these purposes for the public welfare for which municipalities are themselves authorized to raise money by taxation.

3. For the year 1974, the municipal treasurer shall pay $\frac{1}{2}$ of the sum provided for in subsection 1 or 2, whichever is applicable, to the Treasurer of State.

Sec. 12. R. S., T. 36, § 891-A, additional. Title 36 of the Revised Statutes is amended by adding a new section 891-A, to read as follows:

§ 891-A. School subsidies withheld from delinquent municipalities

When any state tax assessed upon any city, town or plantation remains unpaid, such city, town or plantation may be precluded from drawing from the Treasurer of State the school subsidy set apart for such city, town or plantation so long as such tax remains unpaid.

Sec. 13. Appropriation. There is appropriated from the General Fund revenue a sum of money as follows:

1974-75

EDUCATIONAL AND CULTURAL SERVICES,
DEPARTMENT OF

From Federal revenue sharing	\$ 14,000,000
From the uniform property tax	\$ 94,500,000
From General Fund Revenue	\$102,500,000
	<hr/>
	\$211,000,000

Sec. 14. Effective date. This Act shall become effective January 1, 1974, except for payment of aid to administrative units, which shall become effective July 1, 1974.

STATEMENT OF FACT

The purpose of this Act is to shift the full costs of education to State revenue sources over a period of nine years. During that 9-year period, this Act will provide a more equitable means of financing public education through the gradually decreasing State Uniform Property Tax. This bill will provide substantial property tax relief for a majority of the municipalities and also moves significantly toward a balanced tax structure for local and state government.