

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
107TH LEGISLATURE
FIRST SPECIAL SESSION

(Filing No. H-901)

HOUSE AMENDMENT " E " to H.P. 1873, L.D. 2031, Bill,
"AN ACT to Repeal and Replace the Present School Finance Law."

Amend said Bill in section 1 by striking out all of that part designated "§3741." and inserting in place thereof the following:

'§3741. Intent

It is the intent of the Legislature to assist local administrative units in providing basic educational programs by distributing a sum of money which is equal to 50% of the average per pupil cost for all public schools in the State.

It is further the intent of the Legislature to encourage the development of vocational education by distributing a sum of money equal to 75% of the costs of constructing and equipping facilities for vocational education and 2/3 of the costs of instruction provided in vocational education.

It is further the intent of the Legislature to assist local administrative units in the construction of school buildings by providing a percentage, based on the per pupil valuation of the unit, of the cost of any approved project.

It is further the intent of the Legislature to encourage the development of special education programs by supplementing the sums available for regular programs by an additional amount.

It is further the intent of the Legislature to distribute the funds for educational assistance by means of several equalization formulas and without the establishment of a state uniform property tax.'

Further amend said Bill in section 1 by striking out all of subsection 14 of that part designated "§3742." and inserting in place thereof the following:

'14. Basic education appropriation. "Basic education appropriation" shall mean the amount appropriated for the state's equalization program.'

Further amend said Bill in section 1 by striking out in the first sentence of subsection 2 of that part designated "§3743." everything after the underlined words "for funding" and inserting in place thereof the following 'for the state's equalization program.'

Further amend said Bill in section 1 by striking out all of the first sentence of that part designated "§3744." and inserting in place thereof the following:

'The Bureau of the Budget shall, prior to February 15th, certify to the Legislature the recommendation of the Governor for the funding levels for the state's equalization program.'

Further amend said Bill in section 1 by striking out all of subsections 5 and 6 of that part designated "§3745." and inserting in place thereof the following:

'5. Appropriation for basic education appropriation. Appropriate the necessary funds for the basic education appropriation.'

Further amend said Bill in section 1 by striking out all of that part designated "§374 6." and inserting in place thereof the following:

'§374 6. Computation and allocation of education subsidies

The allocations to each administrative unit shall be determined as follows:

1. Operating costs, special education and transportation.

The amount of money to be distributed to each municipality and administrative unit shall be computed in accordance with the following equalization formula:

$$\begin{array}{r} \text{State Valuation Per} \\ \text{Pupil at Mid Point} \\ \text{Per Pupil Valuation} \\ \text{of Municipality} \end{array} \times \begin{array}{r} \text{Base Rate} \\ \text{Per Pupil} \end{array} \times \begin{array}{r} \text{Number of Pupils} \\ \text{in the Municipality} \\ \text{as Defined in this} \\ \text{Section in Year} \\ \text{Preceding the} \\ \text{Convening of the} \\ \text{Legislature} \end{array} = \begin{array}{r} \text{The Equalization} \\ \text{Amount Per} \\ \text{Municipality} \end{array}$$

Prepare a list showing the per pupil valuation and the number of pupils as defined in this section for each municipality. Rearrange the list according to per pupil valuations from high to low. From this list determine the mid point in the pupil population and read the corresponding per pupil valuation. The figure thus determined shall be rounded to the nearest thousand. This per pupil valuation shall be called the state valuation per pupil at midpoint.

Per pupil valuation shall be determined by dividing the number of pupils in the municipality as defined in this section into the state valuation as filed by the State Tax Assessor.

The total equalization sum available shall be divided by the number of resident pupils as defined in this section to determine a per pupil rate for the municipality with the median state valuation per pupil. The number of dollars per pupil used in the formula is determined by dividing the median state valuation per pupil by the state valuation per pupil at midpoint and multiplying the per pupil rate for the municipality with the median state valuation by that result. The amount thus determined shall become the base rate per pupil.

If the state valuation per pupil at midpoint divided by the per pupil valuation of a municipality results in a factor of more than 3.0, then 3.0 shall be used in the computation.

The average sums of money expended in the 2 fiscal years preceding the convening of the Legislature by administrative units for public school pupils for transportation, school bus purchase and board of pupils shall be multiplied by the percentages in Table I and the results shall become part of the general purpose aid of the unit.

Expenditures made for handicapped children in excess of the expenditures for school children in regular classes shall be reimbursed in accordance with Table I when such expenditures have been approved by the commissioner. State aid reimbursements for the education of handicapped children shall occur in the fiscal year immediately following the expenditure year.

The per pupil valuation of each municipality shall be determined as provided in this section. The commissioner shall establish the applicable percentage for each eligible unit from the formula in Table I on January 1st of the year in which the Legislature convenes in regular session. The percentage thus determined shall be applicable for the next 2 fiscal years of the State, July 1st to June 30th.

TABLE I

The percentage of state aid for each municipality shall be determined by dividing the median state per pupil valuation by the state per pupil valuation of the municipality and multiplying the result by 75%. No administrative unit may qualify for more than 97%.

In the case of School Administrative Districts, the cost shall be distributed to each municipality in the district in direct proportion to the number of pupils in each municipality within the district on April 1st, in the year preceding the convening of the Legislature. Said costs shall be multiplied by the appropriate percentage in Table I and the subsidies for each municipality within the district shall be added together to arrive at a district total.

Any unit which fails to appropriate by local taxation annually \$30 per inhabitant as determined by section 851 for the support of its public schools for each of the 2 years preceding the convening of the Legislature shall receive the same percentage of its general-purpose aid as the percentage determined when the unit's appropriation per inhabitant from local taxes for public schools is divided by \$30.

The total aid to a unit in any year may not be less than 90% of the aid received by the unit in the preceding year.

To the subsidy thus determined shall be added \$15 for every student completing a driver education course during the preceding year.

The state valuation used in the above computations shall be as determined by the State Tax Assessor in the statement filed by him, as provided in Title 36, section 381. The computation of state aid for each unit shall be subject to correction in accordance with the final statement filed by the State Tax Assessor on December 1st.

Community school districts are not considered to be administrative units for subsidy purposes. Each participating town's subsidy allotment shall be computed as set forth in this section. The state subsidy covering the town's share of the cost of the community school district shall be paid to the community school district from the town's subsidy allotment with the remainder being paid directly to the town.

2. Vocational education. Seventy-five percent of the cost of constructing and equipping subsequent to September 3, 1965, 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.

Two-thirds of the cost of instruction in approved technical and vocational classes maintained on the secondary level through grade 12 and 90% of the costs of instruction for approved part-time and evening classes for out-of-school youth and adults.

3. School construction. The percentage of state aid for each municipality shall be determined by dividing the median state per pupil valuation by the state per pupil valuation of the municipality and multiplying the result by 50%. No administrative unit may qualify for more than 90% school construction aid. The construction aid on any project shall be frozen at the rate which was in existence at the time the project was approved by the governing body of the administrative unit.

4. Geographic isolation. The State Board of Education shall determine geographic isolation <

and may declare a unit to be geographically isolated when that unit is located an unreasonably long distance from another unit or school facility or is situated in a location which has unique problems in transporting students to another school unit. If the unit is declared to be geographically isolated by the State Board of Education, the board shall adjust the per pupil allocation to that unit to meet the educational needs of that unit, except that such an adjustment shall not exceed the amount expended by that unit in the base year which were in excess of the basic elementary and secondary per pupil operating rates in the base year.

5. Funds under PL 874. When an administrative unit enrolls pupils who reside on land under <

control of the Federal Government, or any agency thereof, or on a Federal Military Reservation, such pupils shall be considered as resident pupils for purposes of this chapter. The allocation to such a unit shall be adjusted by subtracting therefrom the Federal Public Law 874 receipts in the same proportion that total local revenues under the state equalization program are in total local revenues for education in the unit. The amount which may be subtracted may not exceed 90% of the unit's entitlement for the year immediately prior to the year of allocation. In adjusting the allocation under the unit's previous sentence, the amounts subtracted for pupils residing on land under control of the Federal Government, or any agency thereof, or on a Federal Military Reservation shall not exceed $\frac{1}{2}$ of the national average expenditure per pupil, as computed by the Federal Government, times the number of such students in the unit.

6. Unusual enrollment adjustment. A unit may qualify for an unusual enrollment subsidy adjustment

whenever 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 3% increase shall be multiplied by the per pupil rate as established in section 3745 appropriate to determine the allowable adjustment. All units shall be prorated if necessary to remain within the sum appropriated for such an adjustment. Local administrative units are authorized to expend any funds received through this adjustment without calling for a special meeting of the local legislative body. There is established within the department a contingent account for unusual enrollment subsidy adjustments.

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. Construction aid payments. Construction aid payments by the State to the administrative unit on projects approved after the effective date of this Act shall be made in accordance with the subparagraphs of the 3rd paragraph of section 3460. Such payments shall be made from a major capital construction fund which shall be a nonlapsing fund.

9. 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 judgment such an adjustment is justified. The board's decision shall be final as to facts supported by the records of the appeal.

10. School purpose expense requirements. Notwithstanding any other public or private statute to the contrary, all money allocated for school purposes must be expended for school purposes only.

11. Balance of allocations. Balances of allocations at the end of the unit's fiscal year shall be carried forward to meet the next year's school needs in an amount not to exceed 10% of the total state and local allocation of the year just completed. Balances in excess of 10% of the total state allocation will be deducted from the state allocation for the subsequent year.

12. Notification of allocation. The commissioner shall annually, on or before April 15th, notify the municipal officers of each municipality and the officers of each administrative unit of the amount allocated on a monthly basis to that municipality or unit pursuant to this section. When adjustments are made in the subsidy allocation, the commissioner shall notify municipal and school officers of such adjustments.'

Further amend said Bill by striking out all of sections 2 and 3 and inserting in place thereof the following:

'Sec. 2. 36 MRSA §§451-453, as repealed and replaced by PL 1975, c. 272, §§36 to 38 and as amended, are further amended to read:

§ 451. Rate of tax

For necessary expenses of local and State Government, a tax is assessed at the rate of ~~37~~ mills on the dollar applied to a ~~100%~~ valuation for the period ~~January 1st through June 30, 1975~~ 9¼ mills for the fiscal year ending June 30, 1976, 10¼ mills for the fiscal year ending June 30, 1977, 12¼ mills for the fiscal year ending June 30, 1978, and 13¼ mills for the fiscal year ending June 30, 1979, and every year thereafter upon each municipality and the unorganized territory. The tax assessed under this paragraph, in each municipality shall be paid when collected to the treasurer thereof to be by him disbursed for necessary expenses of local government as determined or appropriated by the legislative body of such municipality within the purposes specified in Title 30.

In addition to the above, a uniform property school tax is assessed which shall be determined as follows: The Commissioner of Educational and Cultural Services, with the approval of the State Board of Education, shall annually, prior to January 15th, certify to the Bureau of the Budget the total education costs as defined. The Bureau of the Budget shall forthwith certify said sum to the Legislature with the recommendation of the Governor. The Governor's recommendation may be either to reduce, increase or to approve said sum as certified. The Legislature shall annually, prior to April 1st, cer-

tify by joint order the amount which it deems reasonably necessary for the support of public education to the State Director of Taxation. If the Legislature fails to act, the Governor's recommendation shall automatically be certified to the State Director of Property Taxation

For the period July 1, 1974, through June 30, 1975, a uniform school tax rate is computed by dividing 45% of the amount certified by the commissioner for said period by the total 1974 state valuation. For the fiscal year ending June 30, 1976, and thereafter, a uniform school tax rate is computed by dividing 50% of the amount certified by the legislature for said periods by the total state valuation of all municipalities for the same periods. The rate so determined is to be adjusted upward to the nearest $\frac{1}{2}$ mill and shall be applied to the state valuations of each municipality and property in the unorganized territory

The State Tax Assessor \longleftrightarrow shall determine the tax rate and amount to be assessed on each municipality and the unorganized territory. In any event, such rate shall never exceed whatever shall from time to time be the 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 \longleftrightarrow 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, \longleftrightarrow as set forth in the statement filed by him as provided by section 305, subsection 1, shall be the basis for the computation and apportionment of the tax assessed.

The method for determining the amount of state tax due in a calendar year is to add the state tax for the period January 1st to June 30th of the same calendar year to the state tax for the period July 1st to December 31st of the same calendar year. The state tax as determined for a fiscal year is to be divided by 2 to establish the amount of tax for the period July 1st to December 31st or January 1st to June 30th.

The State Tax Assessor \longleftrightarrow shall before July 1st, annually, determine the amount of state tax to be assessed and collected for the year in the unorganized territory. The rate of taxation in the unorganized territory is to be determined by dividing the amount of state tax by the total valuation of taxable property in the unorganized territory on April 1st of the same year.

§ 452. Assessment of state property tax

In 1975 the state tax described in section 451 is to be assessed as of January 1, 1975 for the period January 1st through June 30, 1975. On July 1, 1975 and on each July 1st thereafter the state tax described in section 451 is to be assessed for the fiscal year ending June 30th of the following calendar year.

As soon as practicable after April 1st, annually, the State Tax Assessor \longleftrightarrow shall certify to each municipality the amount of state tax due under section 451 in the current calendar year. The State Tax Assessor \longleftrightarrow shall send the certification to

the municipal assessors of each municipality requiring them to assess the sum so certified, according to the law for the assessment of taxes and add the amount of such tax to the amount of county and municipal taxes to be by them assessed in their municipality.

§ 453. Payment of state tax by municipalities

The certification made pursuant to section 452 shall require the municipal officers to issue their warrant, requiring the collector of their municipality to collect and pay to the treasurers of their municipality the sums against said municipality required by this subchapter. Monthly, the municipal treasurer shall pay to the Treasurer of State $1/12$ of the uniform school tax for the present fiscal year ending June 30th. Said payments shall begin on July 20, 1975 and shall be paid on or before the 20th day of each month. The Commissioner of Educational and Cultural Services shall annually, on or before April 15th, notify the municipal officers of each municipality and the officers of each school district of the amount allocated on a monthly basis to that municipality or district pursuant to Title 20, section 3773. When adjustments are made in the subsidy allocation, the commissioner shall notify municipal and school officers of such adjustments. For 1975 only, the certification of allocation shall be made on or before June 15th.

The tax assessed under the first paragraph of section 451 in each municipality shall be paid when collected to the treasurer thereof to be by him disbursed for necessary expenses of local government as determined or appropriated by the legislative body of such municipality within the purposes specified in Title 30.¹

Further amend said Bill by renumbering section 4 to be section 3.

Statement of Fact

The purpose of this amendment is to establish equalization funds for distributing educational subsidies. The amendment repeals the uniform property tax and provides the equalization needed because of the varying abilities of administrative units to raise money through distribution formulas. The formulas provide money for operating costs, vocational education, special education, transportation, school construction, unusual enrollment and geographic isolation. The formulas used are the same as were used prior to the enactment of L.D. 1994. The significant difference is that this amendment is 50% of total operating costs rather than the 33 1/3% provided prior to the present law.

Filed by Mr. Birt of E. Millinocket.

Reproduced and distributed under the direction of the Clerk of the House.
2/17/76

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