

MAINE STATE LEGISLATURE

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New draft of: H. P. 923, L. D. 1024
(EMERGENCY)

ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 1207

H. P. 1164

House of Representatives, March 30, 1977

Reported by Majority of Committee on Taxation. Printed under Joint Rules No. 2.

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-SEVEN

**AN ACT to Establish a State Program for the Support of Education Based on
Local Tax Efforts and Local Educational Needs.**

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the present method of financing elementary and secondary education based on prior year expenditures substantially reduces the range of local decisions on tax efforts for education and results in additional tax burdens for many Maine communities; and

Whereas, such decisions are, along with local educational needs, the necessary bases of a prudent education finance program; and

Whereas, it is in the interests of the State that such a program should immediately be established; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

Sec. 1. 20 MRSA c 512-A, as amended, is repealed.

Sec. 2. 20 MRSA c. 512-B is enacted to read:

CHAPTER 512-B

THE SCHOOL FINANCE ACT OF 1977

§ 3761. Short title

This chapter may be cited as The School Finance Act of 1977.

§ 376. Intent

It is the intent of the Legislature to limit the burden of education costs in public schools which are borne by the property tax to no more than 50% of the total basic education allocation and to provide at least 50% of the total basic education allocation from state general fund revenue sources.

It is further the intent of the Legislature that the total basic education allocation, as annually established by the Legislature, shall be at a minimum, an amount sufficient to meet the level of actual education costs in the year immediately prior to the year of allocation and, at a maximum, an amount not to exceed the anticipated costs for the year of allocation.

It is further the intent of the Legislature to base the allocation of state funds to local units on both local tax efforts and educational needs.

It is further the intent of the Legislature to reduce the education costs of the nonprofit private schools of this State by reducing such costs to the extent and in the manner permitted by section 3768, subsection 10.

§ 3763. Definitions

As used in this chapter, unless the context otherwise indicates, the following words and phrases shall have the following meanings.

1. Actual education costs. "Actual education costs" shall mean the total of paragraphs A to H:

- A. Elementary operating costs;
- B. Secondary operating costs;
- C. Costs of special education programs operated by administrative units;
- D. Costs of special education tuition and board, excluding medical costs;
- E. Costs of vocational education programs;
- F. Transportation costs;
- G. Debt service costs;
- H. Major capital costs;
- I. Cost of unusual enrollment adjustments;
- J. Cost of geographic isolation adjustments; and
- K. Costs of reimbursement for private school transportation.

The costs for paragraphs A through K shall be the reported expenditures for the base year.

2. Allocation ratio. "Allocation ratio" shall mean the ratio computed for each unit, by the commissioner, for each item, as provided in section 3768, subsection 4, for the purpose of determining the allocation for each item to local units.

3. Average elementary per pupil operating costs. "Average elementary per pupil operating costs" shall be computed by dividing elementary operating costs for the base year by the average number of resident elementary pupils on October 1st and April 1st in the base year, excluding special education students for whom tuition is paid in programs approved by the commissioner.

4. Average secondary per pupil operating costs. "Average secondary per pupil operating costs" shall be computed by dividing secondary operating costs for the base year by the average resident secondary pupils on October 1st and April 1st in the base year, excluding special education students for whom tuition is paid in programs approved by the commissioner. Any student graduating from grade 12 during the base year prior to April 1st shall be counted as though he were in attendance on April 1st of that year.

5. Base year. "Base year" means the 2nd year immediately prior to the year of allocation of funds.

6. Basic elementary per pupil operating rate. "Basic elementary per pupil operating rate" shall mean the rate established by the Legislature in section 3767, subsection 1, for the purpose of computing unit allocations under section 3768.

7. Basic secondary per pupil operating rate. "Basic secondary per pupil operating rate" shall mean the rate established by the Legislature in section 3767, subsection 2, for the purpose of computing unit allocations under section 3768.

8. Debt service costs. "Debt service costs" for subsidy purposes shall include:

A. Principal and interest costs for major capital projects approved prior to the effective date of this Act;

B. That portion of the tuition costs applicable to the insured value factor computed under section 1292 and as computed for elementary school tuition purposes; and

C. Lease costs for school buildings when the leases have been approved by the commissioner.

9. Elementary grades. "Elementary grades" shall include a childhood educational program, as defined by section 859, through grade 8.

10. Major capital costs. "Major capital costs" shall be approved by the State Board of Education and shall include all costs which are related to new construction, repairs, expansion, acquisition or alteration of any building or of any undeveloped land used or useful for school purposes and the costs of furnishings and equipment. Total major capital costs approved by the State Board of Education during any single year shall not exceed the limitation established by the Legislature in section 3767.

11. Minor capital costs. "Minor capital costs" shall include all costs which are related to repairs or alterations of any buildings or of any undeveloped land used or useful for school purposes and the cost of furnishings and

equipment when such costs are financed out of the unit's operating budget. Minor capital costs shall not include construction of new buildings or the purchase of land. All minor capital costs shall be a part of operating costs. Operating costs for the year 1974-75 shall include a minor capital cost amount limited to \$10 per pupil.

12. Operating costs. "Operating costs" shall include all costs, except transportation costs, community service costs, major capital costs and debt service costs, reduced by tuition receipts, expenditures from all federal revenue sources except for amounts received under the provisions of Federal Public Law 874, and reduced by expenditures for special and vocational education programs as defined in subsections 14 and 16. Operating costs shall not include the costs of maintaining the Governor Baxter State School for the Deaf, the Boys Training Center, schools in the unorganized territories as defined by section 1451, and the Indian schools operated pursuant to Title 22, section 4719.

13. Secondary grades. "Secondary grades" shall mean grades 9 through 12.

14. Special education. "Special education" for subsidy purposes only shall include the costs of certified professionals, assistants and aides or persons contracted to perform a special education service, including the costs of tuition and board to other schools for programs which have been approved by the commissioner.

15. Total basic education allocation. "Total basic education allocation" shall mean the amount for all public education programs established by the Legislature under section 3767.

16. Vocational education. "Vocational education" for subsidy purposes only shall mean training in trade, industrial, agricultural, technical, fishing and service occupations. It shall not include business education, consumer education or home economics programs. Subsidy for vocational education shall be limited to the costs of directors, certified professionals, assistants and aides, plus the costs of instructional materials, including books, which are unique to teaching a specific skill and the costs of equipment as approved by the Bureau of Vocational Education and the commissioner.

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

§ 3764. Notification of actual education costs

1. Notification; items. The commissioner shall annually, prior to January 15th, notify the Legislature and the Bureau of the Budget of actual education costs as defined. Such notification shall also include, but not be limited to, the following items:

- A. Elementary operating costs;
- B. Secondary operating costs;

- C. Special education costs for programs operated by the administrative units;
- D. Special education costs for tuition and board, excluding medical costs;
- E. Vocational education costs;
- F. Transportation costs;
- G. Debt service costs;
- H. Major capital costs;
- I. Cost of unusual enrollment adjustments;
- J. Costs of geographic isolation adjustments;
- K. Costs of reimbursement for private school transportation;
- L. State expenditures for each of paragraphs C to K for the base year;
- M. Audit adjustments;
- N. Optional local funds without state participation raised under section 3768, subsection 5, for each of paragraphs A to K and expended during the base year; and
- O. Local funds raised and expended as the 10% local portion under paragraphs C to F.

Each administrative unit shall provide the commissioner with such information as he reasonably deems necessary to carry out this chapter according to reasonable time schedules as established by the commissioner. The commissioner is granted the authority to withhold monthly subsidy payments from any administrative unit when information is not filed within specified time schedules.

§ 3765. Commissioner's recommendation for allocation levels

The commissioner, with the approval of the State Board of Education, shall also certify annually, prior to February 1st, to the Legislature and the Bureau of the Budget his recommendation for the allocation levels recommended for section 3764, subsection 1, paragraphs A to K and M.

The requested allocation levels for section 3764, subsection 1, paragraphs C, E and F and the requested allocation level of the insured value factor and leases under paragraph G shall be computed by adding the actual costs for the first half of the year immediately prior to the year of allocation of funds to the total estimated costs that will be incurred for the 2nd half of the same year. The requested allocation levels of section 3764, subsection 1, paragraph D, shall be computed by estimating the costs of special education tuition and board, excluding medical costs, in the year of allocation of funds. The requested allocation level of principal and interest payments under section 3764, subsection 1, paragraph G, shall be computed by computing both known obligations and the estimate of anticipated principal and interest costs for the year of allocation of funds. The commissioner shall have the authority

to correct errors revealed by audit in administrative units when compiling actual education costs. The commissioner shall have the authority to amend any estimate when he believes such estimate to be unreasonable.

If an administrative unit fails to submit the necessary information required in this section and in section 3764 within the time schedule specified by the commissioner, the commissioner shall estimate that unit's education costs.

The recommendation shall reflect the commissioner's best estimate as to changes in pupil enrollment, economic factors, adjustments based on actual changes in education costs and any other considerations which might effect a change in the costs of education. The commissioner shall be ever conscious of the need for prudent restraint in educational financing.

§ 3766. Governor's recommendation

The Bureau of the Budget shall, prior to February 15th, certify to the Legislature the recommendation of the Governor for the allocation levels for section 3764, subsection 1, paragraphs A to K. The Governor's recommendation may be to reduce, increase or approve any of the allocation levels recommended by the commissioner.

§ 3767. Actions by the Legislature

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

1. Basic elementary per pupil operating rate. Establish the basic elementary per pupil operating rate;

2. Basic secondary per pupil operating rate. Establish the basic secondary per pupil operating rate;

3. Basic education appropriation. Establish the basic education allocation for paragraphs A through G and subsection 5 and the appropriations for paragraphs H through J and subsections 4 and 7.

A. Elementary operating;

B. Secondary operating;

C. Special education programs operated by the administrative units;

D. Special education tuition and board excluding medical costs;

E. Vocational education;

F. Transportation;

(1) Operating costs;

(2) Purchase of buses;

G. Debt service;

H. Establish the appropriation for major capital costs and establish the limitation on project approvals by the State Board of Education;

- I. Contingent account for unusual enrollment adjustments;
- J. Adjustments due to geographic isolation;
4. Appropriation for private school transportation. Appropriate the necessary funds for reimbursement for private school transportation;
5. Appropriation for audit adjustments. Appropriate the necessary funds for audit adjustments;
6. Establishment of the total basic education allocation. Establish the amount of money which shall be the total basic education allocation. In establishing the total basic education allocation, the Legislature shall include 90% of the amount established for subsection 4 and subsection 3, paragraphs C, D, E and F, sub-paragraph (1);
7. Appropriate the necessary funds to provide the allocations to local administrative units as described in section 3768; and
8. Designate a local tax effort. Designate a local tax effort, which if applied to the total state valuation would raise no more than the sum of 50% of the total basic education allocations for elementary and secondary operating costs and no more than 45% of the basic education allocations for each of the following: The sum of the basic education allocations for special education tuition and board costs and special education local program costs; vocational education costs; transportation costs and debt service costs. This local tax effort shall not be levied but shall be used to measure local education finance efforts for purposes of computing and applying the allocation ratio, as provided in section 3768, subsection 4. The local tax effort for the year beginning July 1, 1977 and ending June 30, 1978 shall be set at 12 mills.

§ 3768. Computation and allocation of education subsidies

1. Computation and allocation. The allocation of funds to each administrative unit shall be computed by the commissioner as follows.

A. Multiply the average number of resident elementary pupils 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 basic elementary per pupil operating rate, as established in section 3767.

B. Multiply the average number of resident secondary pupils 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 basic secondary per pupil operating rate as established in section 3767.

C. The unit allocation for each of the following items shall be the same amount as is contained in the commissioner's recommendation of education costs, except that if the Legislature increases the commissioner's recommendation for any item the unit allocation shall be increased by the same percentage increase established by the Legislature and if the Legislature decreases the commissioner's recommendation for any item the unit allocation shall be decreased by the same percentage decrease established by the Legislature. In the event the Legislature appropriates for the trans-

portation of pupils an amount which differs from the commissioner's recommendation, the percentage of increase or decrease in the amount shall apply to the operating cost and not to the purchase of buses.

(1) Special education. Expenditures for special education programs operated or contracted for by the administrative unit and expenditures for special education tuition or board, or both. Medical costs shall not be allowable as a part of a tuition charge. Reimbursement for both special education programs operated or contracted for by the administrative unit and for special education tuition and board shall be limited to 90% of the estimated costs, as adjusted by the commissioner, or 90% of the actual expenditures, whichever is less. Special education tuition and board shall be reimbursed in the year of allocation. In no event shall a local unit be responsible for contracted special education tuition and board in an amount greater than \$500 per pupil for any pupil for whom the unit has contracted. Any amount exceeding \$500 per pupil for any pupil shall be entirely reimbursed.

(2) Vocational education. Reimbursement for vocational education shall be limited to 90% of the estimated costs or 90% of the actual expenditures, whichever is less. Any vocational center shall have the authority to bill its member units in proportion to the number of students served, on October 1st and April 1st of the year immediately prior to the year of allocation, for any reduction in vocational education subsidies. Vocational regions shall have the same authority to bill vocational centers when there is a reduction in vocational education subsidies. If any bill is not paid within 30 days after submission, the vocational center may appeal to the commissioner under the 3rd paragraph of section 1292.

(3) Transportation of pupils, including the purchase of buses. Reimbursement for transportation operating costs shall be limited to 90% of the estimated costs or 90% of the actual expenditures, whichever is less.

(4) Debt service. Principal and interest costs for major capital projects approved prior to the effective date of this Act shall be reimbursed in the year of allocation.

2. Basis for allocation. The sums obtained in subsection 1 shall become the basis for the allocation to the unit, subject to adjustments as defined under subsections 3 and 4. Adjustments to reflect actual expenditures for items in subsection 1 shall be made in the December and June subsidy payments. One-half of the adjustment amount shall be made in December with the remainder distributed during the remaining months of the fiscal year. The commissioner shall authorize payments of aid to the various administrative units in the amount of the subsidy allocation and any adjustments in such allocation within the periods required in section 3455 and sections 3457 to 3460.

3. Adjustments of the allocation. Adjustments to the allocation as computed in subsections 1 and 2 shall be made as follows.

A. If the 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 per pupil allocation for elementary or secondary pupils respectively shall be limited to an amount which equals the unit's average per pupil operating costs for the base year, plus an amount equivalent to $\frac{1}{3}$ of the difference between the unit's per pupil elementary or secondary cost for the base year, as adjusted, and the basic elementary or secondary per pupil operating rate respectively.

B. If the average elementary or secondary per pupil operating cost for the base year in the unit is above the basic elementary or secondary per pupil operating rate, the per pupil allocation for elementary or secondary pupils respectively shall be frozen at $\frac{1}{2}$ the difference between the basic elementary or secondary per pupil operating rate respectively and the local average elementary or secondary per pupil operating costs respectively expended during the 1973-74 school year.

C. 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 amounts 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.

D. 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. However, 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 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.

E. 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 appropriate per pupil rate as established in section 3767 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.

4. Adjustment based on an allocation ratio. The commissioner shall adjust the allocation to each unit by computing and applying an allocation ratio as follows.

A. For each unit, an allocation ratio shall be computed for the sum of the following 5 items, as determined in subsection 1 and 2 and initially adjusted in subsection 3, paragraphs A, B and D:

- (1) The sum of elementary and secondary operating costs;
- (2) Special education costs;
- (3) Vocational education costs;
- (4) Transportation costs; and
- (5) Debt service costs.

The ratio shall be computed as follows:

(6) Compute the amount which would be raised in the municipality or municipalities constituting the district if a tax for elementary and secondary education purposes, applied to the municipality's state valuation in effect for the year of allocation, were assessed and collected at the designated tax rate. This tax rate shall be designated annually by the Legislature, as provided in section 3767;

(7) Subtract this amount from the allocations as determined by subsections 1 and 2 and initially adjusted in subsection 3, paragraphs A, B and D;

(8) Divide the result derived in subparagraph (7) by the amount as determined in subparagraph (6). The result shall be the amount of state funds provided to the unit for each dollar of local property tax effort for elementary and secondary education purposes.

B. The allocation ratio shall be applied as follows: From the sums obtained as the result of subsections 1, 2 and 3, paragraphs A, B and D, the unit shall receive that portion which is the product of the amount raised locally multiplied by the amount of state money for which it is eligible under the allocation ratios.

Whenever the local tax effort at the designated tax rate raises an amount which exceeds the amount of the allocation, no state funds will be available to the unit. State funds determined on the basis of an allocation ratio shall not be available for local tax efforts which exceed the designated rate.

C. No municipality within an administrative unit shall be required to raise more than its portion of the unit's allocation. When any municipality within an administrative unit assesses and collects a tax at the designated rate as described in paragraph A, subparagraphs (1) through

(5) and raises less than its portion of the unit's allocation, the commissioner shall adjust the allocation to the unit to reflect an amount which is equivalent to the difference between the amount raised by this tax rate and the municipality's portion of the unit's allocation. For any municipality within an administrative unit, its portion of the unit's allocation shall be the same percentage of that allocation as the total resident pupils of the municipality is of the total resident pupils of the administrative unit. If a municipality or the municipalities constituting a district do not raise and appropriate a sum equal to what would be generated by the designated rate, then upon written petition to the State Board of Education, within 45 days of the decision on the local tax effort, by 10% of the number of voters in the unit voting for the gubernatorial candidates at the most recent statewide election alleging that the municipality or district is not providing a suitable elementary and secondary education program, the State Board of Education shall conduct an investigation to determine whether the unit is providing a suitable education program when compared to other units of similar size. If, after due notice and public hearing the State Board of Education determines that the unit is not providing suitable educational programs, the State Board of Education may compel the municipality or municipalities constituting a district to raise and appropriate sufficient sums for a suitable elementary and secondary education program not to exceed that which would be generated at the designated tax rate as determined in section 3767. The State Board of Education is authorized to promulgate reasonable, procedural rules and regulations to implement the disposition of any petition filed under this section.

4-A. Supplemental state appropriations based on the unit's per pupil valuation. For the year beginning July 1, 1977 and ending June 30, 1978 if an administrative unit assesses and collects a tax at the designated rate and if the unit's per pupil valuation per mill is less than \$45 per pupil per mill, the commissioner shall adjust the state's allocation to the unit by adding an amount equivalent to the difference between the local unit's per pupil valuation per mill and \$45 per pupil per mill multiplied by 2.

4-B. Supplemental state appropriations based on the unit's per pupil valuation. For the year beginning July 1, 1978 and ending June 30, 1979, if an administrative unit assesses and collects a tax at the designated rate and if the unit's per pupil valuation per mill is less than \$67.50 per pupil per mill, the commission shall adjust the state's allocation to the unit by adding an amount equivalent to the difference between the local unit's per pupil valuation per mill and \$67.50 per pupil per mill multiplied by 2.

5. Local addition to allocation of state funds. In addition to the allocation of state funds provided by this chapter, any administrative unit may raise and expend any further funds for educational purposes.

6. 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. Subsidy for debt service on bonds issued by regional vocational cooperative boards shall be paid directly to the treasurer of the regional vocational board, notwithstanding any other section of the statute.

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

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

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

10. Reimbursement for transportation. Notwithstanding any other provision of this chapter, the commissioner shall reimburse 90% of the expenditures of the year immediately prior to the year of allocation reported by any municipality for providing the transportation of school children to and from schools other than public schools, except such schools as are operated for profit in whole or in part. The total amount reimbursed under this subsection shall not exceed the level of funds appropriated for this item under section 3767, subsection 4.

11. Notification of allocation. The commissioner shall annually, on or before April 15th, notify the school committee or school directors of each administrative unit of the amount allocated to the unit. The superintendent of schools of each unit shall report to the municipal officers whenever the unit is notified of the allocation or a change is made in the allocation to a unit resulting from a December or June adjustment.

12. Unexpended balances. The commissioner is authorized to apply all unexpended balances in any of the above programs to the major capital fund which shall be a nonlapsing account.

§ 3769. Construction project approval limit

No new major capital project shall be approved by the State Board of Education prior to July 1, 1977, except such projects as are judged to be of an absolute emergency nature. Emergency replacements of roofs, boilers or other repairs which are necessary to protect the health and safety of the pupils may be approved. The commissioner is authorized to approve the leasing of space to keep schools open until such time as appropriate school facilities can be constructed. In any event, the authority to approve emergency projects under this section shall be limited to the amount appropriated for the major capital construction fund.

§ 3770. Major capital projects

In the event an administrative unit undertakes major capital projects without the approval of the State Board of Education, such projects shall meet the requirements of all other statutes and shall not be reimbursed with state funds.

§ 3770-A. Special school districts

Debt service on bonds or notes issued by any school district created by private and special law for the purposes of constructing or adding to school buildings, which district is not responsible for operating public schools, shall be included in the school budget of the administrative unit which operates the school or schools constructed by such districts, and the school committee, board of school directors or other board exercising like functions for such administrative unit shall pay to such district all sums necessary to meet the payments of principal and interest on bonds or notes when due and any maintenance or other costs payable by such district. For the purposes of sections 3457 to 3460 and 3770-C, any school district to which this section is applicable shall be deemed to be an administrative unit.

§ 3770-B. School budget

All administrative units shall set forth the school budget to include the state and local allocation, maintenance of effort and additional expenditures within the limitations of the statute. A detailed budget document shall be available to the legislative body which has responsibility for final budget approval and to any person residing within the geographical area administered by the administrative unit submitting the budget at least 7 days before the initial meeting of the legislative body to consider the budget document. The budget document shall contain a summary of anticipated revenues and estimated school expenditures for the fiscal year. School budgets in all school administrative units must be adopted on or before June 1st in each year.

The format of the school budget may be determined in accordance with section 226, subsection 3 or section 362.

In a town or city where the responsibility for final adoption of the school budget is vested by municipal charter in a town or city council, the school budget format may be changed through amendment of the charter under the home rule procedures prescribed in Title 30, sections 1911 to 1920.

Where 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 prescribed in Title 30, section 2053 or 2061.

Where community school district trustees are responsible for final adoption of a school budget, the school budget format may be determined by a warrant issued by the school district trustees specifying that the municipal officers of the municipalities within the community school district shall place the article on a secret ballot to be voted on at an election conducted in accordance with Title 30, section 2061 to 2065. It shall be the duty of the board of trustees to

prepare and furnish the required number of ballots for carrying out the election, including absentee ballots. An article specifying the budget format may be placed upon the next warrant issued or ballot printed by a majority of the board of trustees or on the written petition of 10% of the number of votes cast in the last gubernatorial election in each municipality comprising the district.

Any change in budget format shall be voted upon at least 90 days prior to the budget year for which such change is to be effective.

The budget format shall be that prescribed by a majority vote of the school directors or school committee until such time as 20% of the registered voters vote on an appropriate warrant article prescribing the school budget format.

To summarize the action taken on the school budget, for purposes of determining state and local cost sharing, the articles prescribed in this chapter shall also be voted upon.

Notwithstanding any other provisions of public or private statutes, a special budget meeting to reconsider the action taken by the legislative body responsible for budget adoption in any administrative unit or to consider additional appropriations may be called under the following conditions and by following the procedures set forth below.

1. Reconsideration or additional appropriations. Meetings to reconsider action or to ask for additional appropriations must be called within 30 days of the regular budget meeting.

2. Special budget meeting. A special budget meeting may be called by the board of directors in a School Administrative District or by the board of trustees in a community school district.

3. Procedure for calling special budget meeting. A special budget meeting must be called, within 15 days, by the board of directors in a School Administrative District or the board of trustees in community school districts whenever 10% of the voters voting in the last gubernatorial election in the members towns of the district have signed a petition for such a meeting specifying the article or articles to be acted upon at the special budget meeting.

4. Who may call a special budget meeting. A special budget meeting may be called by the school committee in a municipality which is responsible for the operation of its schools or may be called by using the petition procedures set forth in Title 30.

5. Invalidation of actions of a special budget meeting. Whenever a special budget meeting is called to reconsider action taken at a regular budget meeting or to consider additional appropriations, the actions of the meeting shall be invalid if the recorded vote is less than the vote recorded at the regular budget meeting on the appropriation articles.

6. Recording of "yes" or "no" votes. The moderators of each regular or special meeting where appropriations are approved shall require the clerk or

secretary to record the number of "yes" votes and the number of "no" votes on each article considered at the meeting.

7. Municipalities. In municipalities where the council approves the school budget, reconsideration or additional appropriations may be initiated using the same procedures as outlined above. Council action shall be governed by the rules set forth in the charter.

8. Line item transfers. Meetings required by school committees or school directors for the purpose of transferring funds from one category or line item to another must be posted for voter or council action within 15 days of the date of the request.

§ 3770-C. Bonds, notes, etc.

All bonds, notes or other evidences of indebtedness issued for school purposes by an administrative unit, as defined in section 3452, for capital outlay purposes or for current operating expenses, including tax or other revenue anticipation notes, shall be general obligations of the administrative unit. The municipal officers, school directors, trustees or other governing board exercising like functions in each administrative unit shall require the sums as 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, provided that the sums to be so assessed and collected shall be reduced by the amount of any allocation of funds appropriated by the Legislature and to become available to the unit to pay the principal and interest in the year as shall be certified to the unit by the Commissioner of Educational and Cultural Services on or before April 1st. The sums so assessed 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 administrative unit.

Sec. 3. 36 MRSA §§ 451 and 452, as repealed and replaced by PL 1975, c. 660, § 5, are repealed and the following enacted in their place:

§ 451. Rate of tax

1. Property tax for expenses of local and State Government. For necessary expenses of local and State Government, the Legislature shall annually, prior to April 1st, enact legislation establishing a local and state government tax rate which shall be assessed upon each municipality and the unorganized territory. In each municipality, the tax assessed under this subsection shall be paid when collected to the treasurer thereof to be disbursed by him for the necessary expenses of local government, as determined or appropriated by the legislative body of such municipality within the purposes specified in Title 30. The tax assessed under this subsection upon the unorganized territory shall be paid to the State.

2. Determination. The State Tax Assessor shall determine the amount to be assessed on each municipality and the unorganized territory. The rate shall not be less than the local tax effort tax rate designated annually by the Legislature, as described in Title 20, section 3767, subsection 8. 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 statewide 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. The valuation as determined by the State Tax Assessor, 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 from each municipality 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 shall, before July 1st annually, determine the amount of state tax to be assessed and collected for the year in the unorganized territory, 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

On July 1st annually 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 shall certify to each municipality the amount of state tax due under section 451 in the current calendar year. The State Tax Assessor shall send the certification to the municipal officers 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.

Emergency clause. In view of the emergency cited in the preamble, this Act shall have the following effective dates: Except for section 3768, subsection 4-B, all sections of the bill shall be effective from July 1, 1977 to June 30, 1978. Section 3768, subsection 4-B shall become effective July 1, 1978.

STATEMENT OF FACT

This bill, in new draft, eliminates the uniform property tax and substitutes local property tax revenues raised at tax rates determined locally for the revenues presently provided by the uniform property tax.

The bill distributes state funds for education on the basis of local need and local tax effort. Local need is determined primarily by prior spending. Local tax effort is measured against a tax rate designated annually by the Legislature for the major program categories.

The local tax effort mill rate is not levied but is rather used to determine the allocation ratio. The allocation ratio designates the number of state dollars which will be allocated to a unit for each program category for each dollar raised by the local unit. State funds are available only up to the level of the Local Tax Effort.

Units which levied taxes at the local tax effort rate would receive the same amount as distributed under the present law. Some units with higher valuations per pupil could make tax effort at less than the designated rate and still provide for their educational needs. These units would receive no state funds.

An appeals procedure is provided for the voters of any unit who may believe that local tax efforts are insufficient to provide an adequate educational program. The State Board of Education is authorized to require additional local tax efforts, up to the level of the designated tax rate, upon a finding that the educational program is inadequate.

This bill makes up revenues lost from the Unorganized Territory due to the repeal of the Uniform Property Tax by increasing the rate of the Local and State Government Tax.

Finally, this bill increases the allocations to local units which have levied a tax at the designated local tax effort mill rate and have per pupil valuations per mill below a specified level by providing that these units would qualify for an addition to their allocation:

1. In 1977-78, equal to the difference between the local per pupil valuation per mill rate and \$45 per pupil per mill multiplied by two; and
2. In 1978-79, equal to the difference between the local per pupil valuation per mill rate and \$67.50 per pupil per mill multiplied by 2.

This bill establishes as a measure of local tax effort a tax rate of 12 mills. This school finance proposal is based on a total cost of education for 1977-78 of \$292,591,739. The state's share of this amount is \$158,697,256.