STATE of MAINE

FIRST REPORT

to the

LEGISLATIVE

RESEARCH

COMMITTEE

PUBLIC REVENUES and the ECONOMY of MAINE

by Dr. John F. Sly

Director Princeton Surveys
Princeton University

PUBLICATION NO. 100-1 JUNE, 1960 AUGUSTA, MAINE

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Director Princeton Surveys, Princeton University

This is the first report in a series of three that the Legislative Research Committee has requested Dr. Sly to prepare for the consideration of the people of Maine. The second report will be concerned with the general property tax and the third report with state taxes. It is the hope of the Committee that these studies may receive wide distribution and thoughtful discussion, and that they will guide our tax and financial policies for many years to come.

— Senator William R. Cole,
Chairman, Sub-Committee
on State and Municipal
Tax Structure.

AUGUSTA, MAINE

JUNE, 1960

STATE OF MAINE
OFFICE OF THE GOVERNOR
AUGUSTA

JOHN H. REED
GOVERNOR

April 4, 1960

There has been no significant alteration in the tax structure of the State of Maine since 1951.

However, it was the evident view of the Legislature that prudent public administration dictates periodic review of the tax situation, in order that we may know how well our system is working and whether or not change is indicated. I subscribe wholeheartedly to this view.

Evaluation of the State's tax structure from time to time is, in my mind, wise public administration. I have been in agreement, therefore, with the action of the Legislature in instructing the Committee on Legislative Research to study this subject. I feel that this is the time to determine, through investigation, where we stand and the future direction we ought to take.

I have looked forward with great interest to this first report in the series of three. I find it to be an informative and revealing document and I recommend its reading to every citizen with an interest in effective government. I regard it as a most helpful and beneficial guide to the future.

The State of Maine is indebted to the Legislative Research Committee and its Chairman, Senator J. Hollis Wyman, to the Subcommittee under the chairmanship of Senator William R. Cole, and to Dr. John F. Sly, who is directing the study of Maine's tax structure, for this objective and significant research. It will be invaluable to us in apprising the present situation, and in planning for the future.

John H. Reed

John H. Reed
Governor

STATE OF MAINE

RESOLVE (1959, c. 118), Providing that the Legislative Research Committee Study the State and Municipal Tax Structure of the State.

Legislative Research Committee authorized to study State and municipal tax structure of the State. Resolved: That the Legislative Research Committee be authorized to study and review the State and municipal tax structure of this State to determine the most equitable tax sources which can be utilized to finance expenditures of the State and municipalities.

Said committee shall have authority to employ such expert and professional advisors and such clerical and office personnel as its judgment may determine within the limits of the funds provided.

The committee's report shall contain recommendations for legislation believed necessary to correct any inequalities in existing methods of procuring state and municipal tax revenue. Such report shall contain a separate study of the taxation of property in the unorganized areas of the State and the taxation of railroad companies operating wholly or partially within the State with recommendations with respect thereto, if any; and be it further

Resolved: That the sum of $50,000 be appropriated from the Unappropriated Surplus of the General Fund and that any balance of this fund as of June 30, 1960 shall not lapse but be carried forward into the 1960-61 year to be used for the same purposes.

STATE OF MAINE

John H. Reed, Governor

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ACKNOWLEDGMENTS

It is not practical to document a public report with the thoroughness of an academic study, but it is necessary to recognize those who have made much of the work possible. Maine has been fortunate in the scholarly attention that has been given to its fiscal and economic problems. The studies of the Bureau for Research in Municipal Government of Bowdoin College, and the studies in Economics and Economic History of the University of Maine, are indispensable to an understanding of the present tax environment. No summary analysis could be made without heavy dependence on these publications. For historical materials, I have made the freest use of Fred E. Jewett's excellent study of 1937, *A Financial History of Maine;* and while I have selected and rearranged his painstaking collection of fiscal data, Part I of this report is largely a summary of his careful work. In addition, I have used Lawrence L. Pelletier's *Financing State Government* (1950); James A. Storer's *Maine Economic Development and the Community Survey* (1956); and Richard K. Stuart's, *Financing Public Improvements in the State of Maine* (1957).

For general historical background I have used the standard histories of Coe and Hatch. Commencing with the *Report of the Special Tax Commission of 1890,* there has been a long series of tax reports, concluding with the *Report of the Tax Revision Committee of 1950,* and a group of selected fiscal problems studied by the Maine Legislative Research Committee. The annual reports of the State Treasurer, the Bureau of Taxation, the State Auditor and the State Controller have provided the essential data since 1940. The tables indicate the source of their data. They are largely from the materials provided by the Bureau of the Census, the Bureau of Labor Statistics, Sales Management, and the Maine Employment Security Commission, supplemented by the excellent publications of the Maine Department of Economic Development.

State administrative officers have given me the most generous cooperation. Raymond C. Mudge, Director of Finance and Administration, gave thoughtful attention to the manuscript; William Otterbein, Organization and Methods Examiner, suggested numerous factual changes; and Roland Berry, State Budget Officer, consulted with me and provided important supplementary data. Lloyd Allen, Director, Department of Economic Development, and his staff, placed their knowledge and experience at my disposal. Adrian Cloutier, Director of the Employment Security Commission, gave me full access to both published and unpublished materials, and I. J. Maher, Chief, Research and Statistics, read portions of the manuscript and gave valuable guidance in the use of data.

In addition, I have consulted with civic and economic groups as well as with leaders of the Maine press, who have brought much understanding to the broader problems of taxation. I wish to acknowledge also the time and interest given to this study by Senator J. Hollis Wyman, presently chairman of the Legislative Research Committee; Senator William R. Cole, chairman of the Sub-committee on State and Municipal Tax Structure; and Senator Earle M. Hillman, a member of the sub-committee. These men opened many doors, and gave me much legislative background. And finally I am grateful for the generous cooperation of Samuel H. Slosberg, Director of Research, Legislative Research Committee, who arranged many conferences and assisted greatly in the details of publication.

John F. Sly

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PART II
THE ECONOMY WE LIVE IN

Population

Income

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PART III

WHERE WE STAND WITH OTHER STATES

THE PURPOSE OF THIS STUDY

To the People of the State of Maine:

The past decade has been of great significance in the tax and finance policies of Maine. It has been marked by the adoption of the first broad based tax – on retail sales; a substantial growth of commerce and industry, particularly in the six southwest counties; and important shifts in the income and employment bases of the state. Maine has arrived at a point of stability in both revenues and expenditures. There is no emergency, and insofar as the present biennium is concerned, our State is in a comfortable fiscal position. There are, however, future commitments and requirements that will need the most careful consideration. An audit of our fiscal policies is therefore timely – to determine not only where we stand but where we are going.

Part I of this report is a brief summary of fiscal history since the first years of statehood. It shows the policies that have become part of our heritage. On the whole, these policies have been determined by the limitations of our tax resources; by the slower growth that goes with a more mature economy; and by an allocation of expenditures to those services – particularly highways, education and welfare – that are basic to the protection and development of the State. While we have been affected by national pressures, and have had our share of fiscal crises, the record, in general, fits closely with our capacities, and adds up to steady and permanent improvement, rather than boom and expansion with the dissipations and down curves which so often follow.

Part II examines three measures of tax capacity – population growth, income distribution and employment opportunities. These show New England as an area of moderate growth and Maine as an area of moderate growth within New England. A significant factor in the picture is the comparatively rapid development of Maine's six southwestern counties composing about one-eighth of the State's area, but with more than one-half of its tax resources, and exceeding by some 42 percent the development (1930-1959) of the State as a whole. While population gains have fallen to 3.9 percent (and perhaps lower) during the 1950 decade; there is promise of improvement during the 1960's. The Census estimates some 5.3 percent.

Part III, presents a brief analysis of the tax position of Maine as compared to other New England states and to the United States as a whole. Maine raises half its state and local taxes from property. Sales taxes, general and selective, account for a larger part of Maine's total taxes than in any other New England state. In 1957, Maine ranked 29th in per capita taxes, but 33rd in per capita income. It ranked 19th in percent of taxes taken from personal income, and 16th in the measure of tax sacrifice, suggesting that Maine is well above the average state in its effort to support its public services.

– Senator J. Hollis Wyman
Chairman, Legislative Research Committee

April 29, 1960

HIGHLIGHTS OF TAX HISTORY IN MAINE 1820 - 1960

1820 - 1860: In its first year of statehood (1820) Maine received $24,000 in state revenues, spent $38,000 and closed with a deficit of $14,000.

Forty years later (1860) Maine raised $398,000, spent $478,000 and closed with a deficit of $80,000.

During this period, 46 percent of total revenues came from property and polls; 14 percent from a bank stock tax; 21 percent from the sale of public lands; 9 percent from federal claims and reimbursements; and 10 percent from miscellaneous revenues.

Compared to other states, Maine's fiscal difficulties were on the lighter side. It had avoided the excessive internal improvement programs of the 1820's and 1830's; it had faced its own debt situation with a bold increase in taxes; there were no defaults on its securities, and it entered the 1860's in a strong fiscal condition.

1860 - 1890: A period of paying off war debts, "relieving" the property tax; and increasing state responsibility for local services.

In the decade of 1873 - 1883, new taxes were placed on banks, insurance companies, railroads and telegraph, telephone and express companies – the first real break toward state non-property taxes.

In 1870, property taxes were almost 100 percent of state revenues. In 1890 they were 58 percent; bank taxes, 28 percent; railroads, 9 percent; other taxes, 5 percent.

The expenditure pattern had changed in two respects: in 1870 education accounted for 12 percent of total expenditures; in 1890, 37 percent; and interest on the public debt had decreased from 44 percent to about 8 percent.

This period established a fiscal pattern that remains to the present day: special business taxes; state assessment of public utilities; the "relief" of the local property tax; and the expansion of state aid for the common schools.

1890 - 1930: A period of service expansion, war costs, unprecedented debt and a frozen tax structure.

Between 1900 and 1910 current expenditures increased 119 percent; taxes, 91 percent; between 1910 and 1920, current expenditures increased 237 percent, taxes, 135 percent; and between 1920 and 1930, current expenditures increased 91 percent, taxes, 94 percent.

The new highway revenues altered the ratios of revenue support; property taxes (1930), 24 percent; gasoline taxes, 18 percent; automobile registration, 15 percent; other taxes, 43 percent. But exclusive of highway revenues – informally dedicated to highway use – property still accounted for 41 percent of total state revenues.

The expenditure side was dominated by highway expansion, 55 percent (1930). The ratio of educational support fell from 32 percent in 1910 to 15 percent in 1930. Even exclusive of highways expenditures, educational support barely held to 1910 levels; and there remained – as in all New England – a strong resistance toward expanding the tax base.

1930 - 1960: Revenues and expenditures held up surprisingly well during the depression years, and increased yields from alcoholic beverages pulled Maine through the late 1930's.

Taxes on pari-mutuels, cigarettes and tobacco were added, and large surpluses accumulated during World War II, which were spent by the close of the decade.

By 1950, Maine had come to the end of its long established tax policy based on property and excises, and adopted a retail sales tax in 1951.

Maine became a sales tax state, and with general increases throughout its tax structure during the 1950's, entered a new decade with a comfortable balance of revenues and expenditure, but with an eye on future needs.

STATE OF MAINE

PART I

140 YEARS OF PUBLIC REVENUES (1820-1960)

* * *

"THE FORMATIVE PERIOD"
The property tax, land sales, and "wind-falls" 1820 - 1860

Maine is among the newer states of the 19th century – the twenty-third to be admitted to the Union, within the same decade as Illinois, Indiana, Mississippi and Missouri. It had no long period of colonial independence. For almost 150 years it was a New England frontier – a part of Massachusetts, the "District of Maine" – separated from its parent by the state of New Hampshire, and given little consideration as a dependent of the "Distant Territory". The sentiment for separation smouldered and flared over a period of almost 40 years, until a second try at the polls in 1819 approved separation, and Maine became a State of the Union on March 3, 1820.

The first problem was finance. The Act of Separation had provided that the laws of Massachusetts remain in effect until changed by the legislature of the new State, and the revenues of 1820 were therefore collected under the old provisions. These provided (Table 1) for a property tax, a tax on the capital stock of state banks, and a small group of licenses and fees. The yield for the first year was about $24,000 against an estimate of $64,000; and inasmuch

TABLE 1

SUMMARY OF REVENUES AND EXPENDITURES
1820-1860
(in thousands of dollars)

	REVENUES							
Year	State Tax On Property and Polls	Tax On Bank Stock	Sale Of Public Lands	From Federal Government[1]	Other Revenues[2]	Total[3]	Expenditures[4]	Surplus or Deficit for Year
1820	$ 1	$ 15	---	---	$ 8	$ 24	$ 38	$ −14
1825	44	16	$ 1	---	13	74	93	−19
1830	49	14	45	---	35	143	189	−46
1835	51	26	134	---	40	251	166	+85
1840	3[5]	41	3	---	5	52	654	−602
1845	220	39	157	$162	34	612	317	+295
1850	191	27	136	---	42	396	273	+123
1855	201	70	28	---	8	307	355	−48
1860	222	75	30	8	66	401	478	−77
Total of all years, 1820-1860	$4,293	$1,261	$1,988	$835	$970	$9,347	$9,480	$−133
Percent Total Revenues	45.9%	13.5%	21.3%	8.9%	10.4%			

[1]Claims and reimbursements. [2]Licenses, fees, fines, *etc.* plus Federal payments in 1823 ($30,000) and 1831 ($132,000). [3]Exclusive of borrowed funds. [4]Including debt redemption. [5]Property tax abolished 1837-1840.

Source: Selected and arranged from Fred E. Jewett, *A Financial History of Maine* (N. Y., 1937), Table 1, p. 21, Table 3, p. 31.

as the state tax on property and polls produced only \$1,000, it is fair to surmise that the property tax was badly in need of revision.

Two steps were promptly taken – in 1820, the legislature provided for a new assessment of property, and in the following session, 1821, placed a tax of ½ of 1 percent on the par value of the capital stock of state banks. For the next fifteen years, the annual yield from property and polls was between \$40,000 and \$50,000; and the tax on bank stock increased from \$15,000 to \$26,000. Together, these taxes accounted for roughly half of the current revenues. The remainder came from non-tax sources – the sale of public lands, an important item until 1860; revenues from public lotteries privately sponsored but state administered – largely for the development of canal companies and schools; miscellaneous revenues – licenses, fees, fines, *etc.;* and an occasional payment under the Act of Separation.

With minor adjustments, this remained the tax and revenue pattern until 1860. It was satisfactory enough for the first 15 years of statehood. Most of these years showed cash deficits, but in spite of steadily increasing expenditures from current revenues (\$93,000 in 1825 to \$166,000 in 1835), stable taxes, modest borrowings, and a timely "wind-fall" or two, kept the state on a fairly even keel without serious adjustments in its tax structure. But the next 25 years was another matter. Maine's fiscal policy had been adequate but tight. It had steadily refused increased taxes on property and polls. Ten years of borrowing had weakened its credit. Heavy reliance was placed on the uncertain revenue from land sales; and in keeping with a stubborn dislike for "direct taxes," the levy on property and polls was abandoned for four years – 1837 to 1840. When the nation-wide "panic" of 1837 practically wiped out the revenue from land sales, five years of heavy deficits put an end to further borrowing, and the state faced the need for stern economy and additional revenues.

This was the first crisis in Maine finance, and it took the Legislature four years to face the issue of additional revenues. In his annual report for 1836 the Treasurer, Asa Readington, refused to recommend an increase in the levy on property and polls. "Direct taxation", he said, "is the most odious and the most expensive way of sustaining a Government. It should be avoided, if possible." He urged, instead, the modern device of "diversion" – divert the bank stock tax from the support of the public schools to "supplying the wants of the Treasury"; and, in addition, use the income from the anticipated allotment of the federal surplus of 1837 for the general expenses of the State.

In 1838, in the face of a general suspension of specie payments and an \$85,000 deficit, Governor Kent, in his annual message, told the legislature that "in the present pressure and difficulty in the community, it would be unjust and oppressive, to attempt to meet ***all*** the demands by a direct tax upon the people the present year." He had no suggestion, however, beyond further borrowing and "strict and unflinching economy"; but again the legislature provided no new revenue. The following year, taxes, land sales, and miscellaneous receipts fell to some \$90,000 and expenditures (largely because of military operations connected with the northeast boundary dispute with England), rose to \$514,000 – more than triple those of 1837. Faced with unpaid claims of \$199,000 and from 15 to 20 percent discount on borrowings, the Treasurer's ***Report*** for 1839 shows both alarm and urgency:

> "Since 1835, the State has been involving itself deeper and deeper in debt, exclusive of the great expenses of the quasi border war of 1839. No longer pursue this downward course: curtail all expenses not imperiously necessary; withhold grants and gratuities, which were liberally bestowed by the last Legislature; [among them, a bounty for each wheat producer of \$2.00 for the first 20 bushels and 16 cents for each additional bushel – \$76,000 in 1865]; and above all, let a fixed, certain amount of revenue be established, to meet the current, necessary expenses of the government. Nothing short of this will revive and sustain the credit of the state at home or abroad. Therefore, impose a State tax for 1840, of sufficient magnitude to pay all expenses, including interest on the State debt. This tax will not be available until the commencement of 1841. To meet the claims on the Treasury for 1840 . . . further loans must be negotiated, at home if practicable."

In 1840, the legislature faced the facts. The bounty loans on wheat were repealed. Appropriations were reduced. A new property valuation was provided, and a state tax estimated to produce \$100,000 was levied. With these steps, the State credit was restored, and the unpaid bills of 1839 were funded. In 1841, the property tax was doubled. In 1843 and 1845 very substantial sums received from the federal government on account of the northeast-boundary claims caused a large cash accumulation – a temptation to reduce the property tax. But the legislature had learned a lesson, and permitted the Treasurer to purchase state bonds with the surplus.

By 1852, the increased sales of public lands and a further payment from the federal government, brought the debt within manageable limits, and Maine's first fiscal crisis was over.

From this time until 1860 there is little to report. Tax revenues were fairly constant. The property tax hovered around \$200,000 annually – about a 3 mill rate on the 1840 valuation. New valuations in 1850 (\$100 million) and 1860 (\$167 million) raised the required revenues on levies of 2 mills and 1½ mills, respectively. The bank stock tax showed a steady increase – \$75,000 in 1860; and sales of timber lands were sustained until the close of the period. From 1843 to 1856, revenues exceeded expenditures for all years except two – 1853 and 1855, and outstanding debt was reduced from \$1.7 million to \$658,000. In 1860, Maine was in a strong financial position, but on a tax and revenue structure that had not changed substantially since the first years of statehood.

Within this "formative period" there were significant developments that were destined to mold policy in the tax and finance field.

1) The building and maintenance of highways was declared a local responsibility and was so maintained until 1901.

2) By 1828 the State had assumed a joint responsibility for the support of common schools. In that year a state school fund was established through the sale of public lands; the proceeds of certain claims against the federal government; and (1833) the revenue derived from the bank stock tax.

3) The State assumed service responsibilities by providing for a state prison (1823); completing the state capitol building in Augusta (1832); and a state insane asylum (1835) – each financed from a combination of appropriations, land sales and gifts. A reform school for boys was completed in South Portland (1852): a new wing added to the insane asylum in Augusta; and new construction undertaken at the state prison – each paid for from appropriations.

4) The property tax was the principal support of public services – state and local. There was only one other major tax base for state purposes – the bank stock tax; but except for the railroads (a source of local taxes) there was little more to develop.

In general, Maine's fiscal difficulties during this period were reflected in all the other states; but Maine's troubles were on the lighter side. It had avoided the excessive internal improvement programs of the 1820's and 1830's; it had faced its own debt situation with a bold increase in taxes; there were no defaults on its securities; and it entered the 1860's in a strong financial condition.

Maine had accepted four principles of public finance: minimize public debt, be cautious in state subsidies, rely lightly on non-recurring revenues, and meet urgent fiscal needs with increased taxes.

RELIEVING THE PROPERTY TAX

New taxes, tight expenditures and state aid

(1860 - 1890)

There were three conditions that had great influence on the tax and financial policies of Maine during the four decades following the Civil War:

- 1) The financial requirements of the unprecedented debt accumulated during the war years;
- 2) The resulting impact on the property tax and the widespread demand for "relief";
- 3) The accompanying demand for a "separation" of state and local taxes and increased state responsibility for local services – particularly the common schools.

The summary story of state finances during the decade 1860-1870 is shown briefly in Table 2.

- Total taxes (column 1) increased from \$302,000 to about \$1.2 million – an increase of 291%.

TABLE 2

STATE OF MAINE

A CENTURY OF STATE FINANCE

By Decades: 1860-1960

(amounts in thousands of dollars)

Year	Total Taxes	Per Cent Change	Property	Per Cent Change	State Taxes to Cities and Towns[2]	Per Cent Change	Other Taxes	Per Cent Change	Borrowing		From Federal Government[3]	Miscellaneous Revenues	Total Revenues	Per Cent Change	Cash Balance	Total Current Revenues[4]	Per Cent Change	Total Current Expenditures	Per Cent Change	Surplus+ Deficit–
									Long Term	Short Term										
	1		2		3		4		5	6	7	8	9		10	11		12		13
1860	$ 302	+22.3	$ 222	6.7	$ 5	–54.5	$ 75	+167.9	$ 51	—	$ 8	$ 91	$ 452	+6.1	$ 114	$ 401	–5.9	$ 478	+73.2	$ –77
1870	1,182	+291.4	1,176	+429.7	6	+20.0	—	—	3,022	—	678	43	4,925	+989.6	263	1,903	+374.6	1,752	+266.5	+151
1880	1,145	–3.1	941	–20.0	10	+66.7	194	+158.7[a]	307	200	—	16	1,668	–66.1	69	1,161	–39.0	1,103	–37.0	+58
1890	1,140	–.4	661	–29.8	16	+60.0	463	+138.7	—	300	—	58	1,498	–10.2	63	1,198	+3.2	1,253	+13.6	–55
1900	1,704	+49.5	916	+38.6	54	+237.5	734	+58.5	—	200	9	100	2,013	+34.4	200	1,813	+51.3	1,765	+40.9	+48
1910	3,252[1]	+90.8	1,392	+52.0	93	+72.2	1,767	+140.7	—	300	—	430	3,982	+97.8	76	3,682	+103.1	3,870	+119.3	–188
1920	7,650[1]	+135.2	3,683	+164.6	117	+25.8	3,850	+117.9	6,065	—	—	2,951	16,666	+318.5	2,218	10,601	+187.9	13,059	+237.4	–2,458
1930	14,864[1]	+94.3	5,059	+37.4	190	+62.4	9,615	+149.7	3,700	—	—	6,561	25,125	+50.8	2,671	21,425	+102.1	24,871	+90.5	–3,446
1942	25,622	+72.4	4,901	–3.1	256	+34.7	20,465	+112.8	1,200	—	5,131	2,600	34,553	+37.5	7,416	33,353	+55.7	31,037	+24.8	+2,316
1950	44,600	+74.1	5,528	+12.8	313	+22.3	38,759	+89.4	—	—	13,012	3,598	61,210	+77.1	7,952	61,210	+83.5	60,137	+93.8	+1,073
1959	85,896	+92.6	1,012	–81.7	354	+13.1	84,530	+118.1	5,500	—	37,473	7,560	136,429	+122.9	12,142	130,929	+113.9	127,791	+112.5	+3,138

[1]Does not include highway revenues. [2]State-collected locally-shared revenues. [3]Before 1900 includes only claims and payments from federal government. [4]Total revenues less borrowing – Column 9 minus Column 5.
[a]Increase from 1860 to 1880.

Source: Selected, rearranged and supplemented from Fred E. Jewett, *Financial History of Maine* (N. Y.: 1937), Appendix Tables. Later data (1942-1959) from unpublished reports of the *Department of Finance and Administration*, and published reports of the U. S. Bureau of the Census.

Property taxes (column 2) increased from $222,000 to about $1.2 million – an increase of 430%.

With the conversion of state banks to national banks, almost no sale of public lands, and a heavy decline in "miscellaneous revenues," the property tax remained almost the sole source of current receipts.

Total revenues (column 9) increased from $452,000 to about $4.9 million – an increase of 990%. Of this source $3 million was borrowed money; $678,000 from federal claims; and $43,000 from miscellaneous revenues. The remainder $1,182,000 (column 1) was property tax money – about 25% of total revenues and almost 100% of all taxes.

The funded debt had increased from $1.5 million in 1861 to $8 million in 1870; and interest on this debt had increased from $40,000 in 1861 to $473,000 in 1870.

Current expenditures Column 12 (total expenditures less debt retirement) increased from $478,000 to about $1.8 million – an increase of 267%.

From 1861 to 1870 new expenditures totaled some $12 million – largely bounty payments (some 72%) for enlistments. Other current expenses totaled $8.2 million – about 40% of total-current expenditures.

The financial policy of the decade 1860-1870 started with a false assumption – the War would be short. This led to a second mistake in policy – the State could borrow its way through the crisis. By 1863, reality took hold, and fiscal policy tightened for the long haul. By 1865, however, the funded debt outstanding was $5.2 million, there were large unpaid claims, the treasury was empty, and borrowing was again at a discount of 15% to 20%. The treasurer outlined the conditions in his annual report of 1865:

Among the questions engaging the attention of the Legislature, none were more pressing than that of finance. The State had already funded a heavy debt. To continue to sell its bonds must from very *weight*, endanger the financial integrity. The policy of the past was changed. The resolution was taken to tax the people, not only for the current expenditures and for the debt maturing during the year, but for a *sinking fund*, looking to the ultimate extinction of the entire war debt.

The legislature had responded to this appeal, and levied a state property tax of $2.5 million at the unprecedented rate of 15 mills; and provided a ¾ mill levy to establish a sinking fund to retire the outstanding debt as it matured. In addition, it was provided that all payments from the Federal government on account of war claims, should be credited to the fund. The new 15 mill tax met the requirements of unpaid claims, temporary loans and current expenses; and the sinking fund requirements brought the long term debt within a reasonable promise of control. There was one other matter: In 1868, the legislature provided for the state assumption of all municipal debts acquired because of the war bounties; and bonds, with new sinking fund provisions, were issued in the amount of some $3 million for this purpose. These provisions left a net debt of about $6.8 million in 1870. The efforts of the next twenty years were largely directed toward liquidating this debt. Maine's second fiscal crisis had been brought under control, but with it there had come a new and urgent problem – the broadening of the tax base toward the "relief" of the property tax.

* * *

In 1871, State finance relied almost wholly on the property tax. With the passage of the national banking act in 1863, state commercial banks were converted into national banks; and by 1865, only nine banks were operating under state charters. The revenue from the bank stock tax declined and vanished. The sales of public lands had been completed. The "panic" of 1873 threw even heavier burdens on the property tax, and in his final message to the fifty-third legislature in 1874, Governor Dingley cited the success of "indirect" taxation in Pennsylvania and Massachusetts, and urged a new revenue program for the State of Maine:

"I most earnestly urge, however, that you should consider whether it is not advisable to devise some method other than direct taxation to secure part of the revenue required for State expenditures; so that the rate of taxation may further be reduced . . . Without indicating more in detail what sources of revenue may be made available to this State, I desire to call your attention to the subject, and to suggest a careful inquiry and investigation, with a view of devising methods of lifting some portion of the burden of taxation from real estate. Such a policy would give needed encouragement to our agricultural interests, and promote the development of the resources of the State."

The result was Maine's first venture in "broadening the tax base."

- In 1872, the bank stock tax was restored, applicable only to state savings banks – ¼ of 1 percent levied on a semi-annual base of total deposits, and in 1873 an additional ½ of 1 percent on gross deposits less the assessed value of the real estate, was added, ½ of which was for the support of the common schools.

- In 1874, foreign insurance companies were taxed on 2 percent of their net premiums; and in 1885 a similar tax was placed on domestic insurance companies, plus a tax of ½ of 1 percent on their surplus.

- In 1874, a special tax was placed on railroads – 1½ percent on the "cash value of the roads", assessed by the Governor and Council, the proceeds to be apportioned among the towns.

- In 1880, a special tax on telegraph companies – 2½ percent on the "value of any telegraph line", assessed by the Governor and Council, the proceeds to be partially distributed among the towns.

- In 1883, a special tax on telephone companies – 2½ percent on "the value of any line", assessed by the Governor and Council, without provision for distribution among the towns.

- In 1883, a special tax on express companies – the first non-property tax applied to commercial business – ¾'s of 1 percent on allocated gross receipts, without provision for distribution among the towns.

This was a period of new taxes, tight expenditures and debt retirement. During the next twenty years many adjustments were made in rates and bases, but the basic sources of revenue remained fixed until the turn of the century. Expenditures were held to a minimum, and debt steadily reduced. This rather remarkable result is shown by decades in Table 2. Total taxes in 1870 (column 1) were $1.2 million; in 1890, $1.1 million. The state property tax (column 2) had declined from $1.2 million to $661,000. Current borrowing (column 5) had become negligible, with the result that total revenues had fallen from $4.9 million to $1.5 million; and total current revenues (column 11, total revenues less borrowing and cash balances) showed a marked decrease from $1.9 million to $1.2 million. Current expenditures (column 12, total expenditures less debt retirement) had fallen from $1.8 million to $1.3 million.

At the close of the fiscal year 1870, the funded debt outstanding was about $8 million. The sinking funds contained $1.3 million, leaving a net debt of some $6.8 million. In the decade ending in 1875, Maine had paid $7 million on its state debt – $4 million in interest and $3 million for debt retirement. In that year Governor Dingley advised the fifty-fourth legislature that at the current rate of taxation, the "immense war debt" would be paid in 14 years; but thought that so heavy a tax burden should be spread over the next generation. "Surely others", he said, "who are to share the fruits of a struggle which has scarcely a parallel in history, though they cannot participate in the terrible sacrifice of blood, will esteem it a privilege, as well as a duty, to aid in discharging the pecuniary liabilities which it entailed on the country." The result was a series of financial transactions including the abolition of the sinking funds of 1865 and 1868, the elimination of the ¾ mill sinking fund tax, and the cancellation of state bonds held in the sinking funds. A combination of increased taxes, refundings and temporary loans, permitted the payment of all debt until 1889, when a new bond issue of $2.5 million reduced debt requirements to a comparatively small amount, maturing in easy annual payments until 1929.

There was another significant development: State taxes dedicated to the support of the common schools. As early as 1833, the legislature had provided that the money received from the bank stock tax should be apportioned among the towns and plantations according to the number of pupils in each district. With the conversion of the state banks to national banks, this revenue vanished. The only remaining state source of local school support was the income from the common school fund of 1828. At the close of the Civil War, a strong demand was made for greater state support, and in 1872 an annual state tax of 1 mill was levied on property for common school purposes. The following year a tax of 1½ percent on the deposits of savings banks was added to local school support, and free high schools became part of the state aid program. These provisions pushed school costs from $66,000 in 1871 to $500,000 in 1877, with the result that a cautious legislature reduced the grant from the savings bank tax by one-half. With the decrease in the bank tax and the economic depression of the 1870's, expenditures for education fell to $338,000 in 1881, and it was another full decade before the $500,000 mark was again reached.

The overall conclusions pertaining to this expansive period of 1860 to 1890, are readily seen in Tables 3A and 3B. The property tax (Table 3A) had been "relieved" – from a 100% total support in 1870, to 58% in 1890; the mill levy had decreased from the 15 mill maximum of 1865 to 2½ mills; and the special tax on railroads and savings banks now accounted for almost 38 percent of state tax receipts.

On the expenditure side (Table 3B), education (largely state support of the common schools) had taken front place in service emphasis, with an increase from about 12% of total expenditures to 37%. Debt retirement had relieved interest payments from 44 percent of the total to 7.5%. "Taxes collected for cities and towns" include dog taxes, portions of the railroad, telephone and telegraph taxes and taxes on wild lands. These had increased almost tenfold. Expenditures for conservation and development represented new services – the department of agriculture, fish and game and the forestry commissions. Health and welfare, included expenditures for state paupers, the insane and small appropriations for hospitals. "Others" included pensions, Indian expenses, a small sum for highways, and miscellaneous items of current expense.

The period from 1860 to 1890 established a fiscal pattern that remains to the present day: special business taxes; state assessment of public utilities; the beginning of state non-property taxes; the "relief" of the local property tax; and the expansion of state aid for the common schools.

TABLE 3A

STATE OF MAINE
STATE TAXES
1870 and 1890
(in thousands of dollars)

Tax Base	1870	% Total	1890	% Total
State Property Tax	$1,176	100%	$ 661	57.7%
Railroads	—	—	106	9.3
Telephone Companies	—	—	2	.2
Telegraph Companies	—	—	6	.5
Insurance Companies	—	—	25	2.2
Savings Banks	—	—	324	28.3
New Corporations	—	—	21	1.8
	$1,176	100%	$1,146	100%

Source: Jewett, *A Financial History of Maine,* Table 8, p. 43; Table 17, p. 67; Appendix Tables C and D.

TABLE 3B

STATE OF MAINE
STATE EXPENDITURES
1870 and 1890
(in thousands of dollars)

Purpose	1870	% Total	1890	% Total
General	$ 155	14.4%	$ 207	16.5%
Education	126	11.7	461	36.8
Interest	473	44.0	94	7.5
Defectives	129	12.0	146	11.7
Health and Welfare	34	3.2	56	4.5
Conservation and Development	—	—	31	2.5
Taxes Collected and paid to cities and towns	6	.6	56	4.5
Others	152	14.1	200	16.0
	$1,075	100.0%	$1,251	100.0%

Source: *Ibid.*, Table 18, p. 69, Appendix Tables C and D.

A FROZEN TAX STRUCTURE
Service Expansion, War Costs and Debt
(1890 - 1930)

The period of 1890 to 1910, was, except for a tight period in 1890 to 1894, unmarred by fiscal crises. It was a period of increasing revenues, steady service expansion, and, on the whole, steady cash surpluses. Total taxes increased about 185 percent, property taxes, 111 percent, and other taxes, 282 percent. The tax increases arose from both changes in the tax laws and the development of new tax bases:

In 1893, the railroad gross receipts tax was increased, and subsequent changes upward in the maximum rates occurred in 1901, 1907, and

1911, and the whole rate schedule changed in 1909.

In 1893, an estate tax law was enacted, but for 15 years the revenue did not exceed $100,000.

In 1893, the tax on the deposits of savings banks was changed to a franchise tax measured by certain deductions from average deposits but with little effect on the revenue.

In 1901, the taxation of telephone and telegraph companies was consolidated under a single statute, and a gross receipts base adopted.

In 1909, the Maine forestry district was established for fire protection in the wild lands and a special property tax of 1½ mills was levied for its support.

The state property tax levy rose from $661,000 in 1890 to $1.4 million in 1910 and additional special levies – particularly for schools and forest fire protection – increased this sum to $2.1 million.

Professor Jewett in his *Financial History of Maine* (p. 76) summarizes the period:

> From 1890 to 1894, the financial condition of the state was not strong. The legislature of 1889, acting on the belief that the refunding operation of 1889 would result in surplus funds in the treasury, had increased appropriations to such an extent that in 1890 it was necessary to negotiate a temporary loan of $300,000. The receipt of $358,000 from the Federal government in 1891 and adjustments of the tax system made possible the retirement of the temporary debt by the end of 1893. In 1897, another period of temporary borrowing began, which was not terminated until 1902. Adjustment of the tax system in 1901 and receipts from the Federal government in 1901 and 1902, on account of Civil War claims, again placed the finances of the state in sound condition, and at the end of the latter year, there was a cash balance in the treasury of $439,000. The funded debt during these years was paid as it matured and no new debt created . . . During most of the years from 1903 to 1912, revenues exceeded expenditures and there were surplus funds to apply on the debt.

* * *

Maine had entered the 20th Century in a strong financial position – its debt had been almost abolished, its revenue system was adequate, and its service program was stabilized. The history of the next 40 years, however, placed great strains on the tax and revenue structure. It was a period of heavy service expansion, war costs, a frozen tax structure, and unprecedented debt. The overall impact of these policies for the decades of 1900-1930 is shown in Table 2. Current expenditures (column 12) increased 119 percent between 1900 and 1910; 237 percent between 1910 and 1920; and 91 percent between 1920 and 1930. Total taxes, however (column 1), showed increases of only 91 percent, 135 percent and 94 percent for the respective decades. The bonded debt was $569,000 in 1913. In 1921 it was $8.9 million and in 1930, $20.7 million. This was the beginning of the revenue bond – bonds to be retired from the proceeds of the facility they were issued to support. Highways were the cause of the major increases. The first single self-liquidating project was the Maine State Pier at Portland (1922) – a bid for Canadian and European shipping – followed by the Kennebec Bridge at Bath (1925) and the Waldo-Hancock Bridge across the Penobscot (1929). Of the $20.7 million debt outstanding in 1930, 70 percent was pledged to highways and bridges, and the remaining 30 percent to trust funds, war loans and a soldiers bonus for World War I.

The revenue picture for the decades of 1910 to 1930 is shown in Table 4A. Total revenues increased from $3.7 million in 1910 to $21.4 million in 1930 – 478 percent. The large items of increase were the new highway revenues – the motor vehicle license fees (1905) and the gasoline tax (1923). These were a small part of the revenue structure in 1910, but accounted for 33% of total revenues in 1930. A tax on bank stock and trust company stock, assessed and collected by the state treasurer, was levied in 1923, the proceeds of which were returned to the towns. Collections from the corporation franchise tax – measured in terms of capital stock – increased from $265,000 in 1910 to $619,000 in 1930. It will be noticed that the state property tax continued to decrease as a ratio of total state revenues. In 1910 (before highway revenues), it was 37% of the total, and in 1930 (after highway revenues), it was 24%. With highway revenues, however, informally dedicated to highway use, and therefore not available for general fund purposes, the property tax continued to bear a somewhat higher ratio of total revenues (exclusive of highway revenues) than in 1910 – about 41%.

From 1910 to 1930 was a span of only 20 years but state expenditures (Table 4B) increased from $4 million to $25 million . . . an increase of 526 percent. General government including the costs of the administrative departments, the regulatory commissions, the courts and legislature showed an increase from $367,000 to $953,000. The support of education rose from $1.3 to $3.7 million, about 2/3's of which was state aid and the remainder went to the normal schools, the state university, academies and teacher pensions. At this time the State was supporting about 1/5 of school operating costs. The money came from the permanent school fund (from the sale of public lands, 1828), the school mill fund (1893) and the common school fund (1909) – both 1½ mills on the state property tax – plus ½ the tax on savings and trust companies.

TABLE 4A

STATE OF MAINE
STATE REVENUES
1910 and 1930
(in thousands of dollars)

Tax Base	1910	% Total	1930	% Total
State Property Tax	$1,392	37.3%	$ 5,059	23.6%
Railroads	717	19.2	1,635	7.6
Telephone and Telegraph	58	1.6	377	1.8
Insurance Companies	126	3.4	545	2.5
Inheritances	93	2.5	1,013	4.7
Trust Companies	101	2.7	322	1.5
Savings Banks	463	12.4	681	3.2
Corporation Franchise and fees	265	7.1	619	2.9
Gasoline	—	—	3,945	18.4
Automobile Registration	—	—	3,164	14.8
Highway	—	—	1,767	8.3
Others	515	13.8	2,298[a]	10.7
	$3,730	100.0%	$21,425	100.0%

[a]Others include express company tax ($39); state tax on wild lands ($550); taxes collected and paid to cities and towns ($190); inland fisheries and game commissions ($238); Maine forestry district tax ($221); court fees, fines and forfeitures ($70); departments and institutions ($820); interest ($115); miscellaneous ($55).

Source: Jewett, *A Financial History of Maine*, Table 17, p. 67; Table 21, p. 81; Appendix Table E.

TABLE 4B

STATE OF MAINE
STATE EXPENDITURES
1910 and 1930
(in thousands of dollars)

Purpose	1910	% Total	1930	% Total
General	$ 367	9.2%	$ 953	3.9%
Education	1,288	32.4	3,683	14.8
Highway	309	7.8	13,647	54.9
Interest	38	1.0	879	3.5
Defectives	538	13.5	1,529	6.1
Health and Welfare	205	5.2	1,972	7.9
Conservation and Development	374	9.4	1,107	4.4
Taxes collected and paid to cities and towns[1]	233	5.9	566	2.3
Others	618	15.6	535	2.2
	$3,970	100.0%	$24,871	100.0%

[1]Railroads, telegraph and telephone companies, bank stock, wild lands and dogs.

Source: *Ibid.*, Table 18, p. 69; Table 21, p. 81, Appendix Table E.

In 1921, however, school financing was reorganized. The various funds were consolidated into the State School Fund, and a tax of 3 1/3 mills was levied and appropriated to the fund. In 1929, 1 mill was levied and dedicated to the support of the University of Maine – in lieu of all other appropriations. These changes resulted in increased support for education – a jump from 3 mills to 4 1/3 mills on valuations that had increased from 1913 to 1929 from $478 million to $744 million. This meant an increase of some 77% in educational support.

The remaining items in Table 4B all show very substantial increases between 1910 and 1930. This period, indeed, particularly in the 1920's has been described by Professor Jewett as the "era of prodigality," that even extended into the depression years of the 1930's. It was a period of expanding services and new services. Expansion occurred in health and welfare, the institutional care of defectives and in conservation and development. New services were represented by a Department of Charities and Corrections (1913), the State assumption of the care of tubercular patients (1915), aid to mothers and dependent children (1917), the care of delinquent and destitute children (1919), and above all, expenditure for the development and improvement of the State highways – more than ½ of the total state expenditures in 1930.

In spite of the financial collapse of 1929, both revenues and expenditures held to a high level until 1933. The total tax revenues in 1930 were $21.4 million (Table 4A) and in 1933 were $20.2 million – exclusive of loans. Expenditures, however, were maintained at about the 1930 level, $24.8 million. But in 1913, the State of Maine was almost debt-free. With the beginning of the highway program, however, there was a tremendous change. By 1933 the debt amounted to some $31.4 million – nearly all for highways and bridges. On many occasions the constitution was amended to permit increased debt, and self-liquidating projects began with the construction of the Maine State Pier at Portland Harbor in 1922. By June 1936, the bonded debt amounted to $29.6 million – all except about 6 percent for highways and bridges. It was widely felt that the State faced a critical fiscal situation in 1936, with possibly a $3 million shortage in its general fund, and a large social security program before it.

Looking back over this century of finance, there are certain policies that are important in current thinking:

1) A steady effort to " relieve " the property tax. In 1870 it was still almost 100% of state taxes; in 1890, 58%; in 1910, 37%, in 1930, 24%.

2) The " relief " of the property tax was sought by taxes on selected business enterprise – largely public utilities and banks – a common policy throughout the States.

3) The coming of highway revenues – motor vehicle licenses in 1905 and gasoline taxes in 1923, gave a new and dominating service emphasis. In 1910 highway expenditures amounted to $309,000 – 8 percent of total expenditures; by 1930 these had risen to $14 million dollars – 55 percent of total expenditures.

4) From a reluctant attitude toward public debt, the state went into heavy highway borrowing – lulled by the great productivity of highway revenues and the " easy money " of revenue bonds.

5) A strong and continued resistance toward expanding its tax base. Except for highway revenues there had been no significant change since the business taxes of the 1870's and 1880's.

"NEW TAXES", FEDERAL AID AND A BROADENED TAX BASE

Depression, war costs and stability (1930 - 1960)

Throughout the 1930's Maine's tax structure remained almost unchanged. Efforts to adopt a retail sales tax were rejected (1937) at a public referendum. The state property tax remained at 7¼ mills except for two years (1931 and 1932) when it was 7 mills and 7½ mills, respectively. All other tax rates remained unchanged. With the repeal of the 18th amendment to the federal Constitution, Maine adopted an excise tax on malt beverages (1933) and opened its first liquor store under state monopoly in 1934. This revenue was an important balancing factor for the decline of the State property tax during the depression years, and its rapid increase in yield brought the State through the fiscal pressures of the late 1930's.

During the World War II years (Table 5), Maine's experience was much like that of other states. The costs of government continued to increase – partly due to inflation and partly to increased services, particularly in the fields of health, welfare, and education. Both revenues and expenditures almost doubled in the decade 1941 to 1950. As in other states, Maine accumulated large surpluses – as high (1943) as 60 percent of its total revenues in 1930. Property valuations rose, receipts from the alcoholic beverage tax increased, the motor fuel tax was raised from 4 to 6 cents (1947), and a cigarette tax (1941) was added. Maine made good use of its surplus. It steadily reduced its bonded debt – from $27 million in 1940 to

TABLE 5

CONSOLIDATED REVENUES AND EXPENDITURES (in thousands) 1941-1950

Fiscal Year	Revenue	Expenditures	Excess of revenue over expenditures
1941	$34,871	$33,010	$ 1,861
1942	39,440	33,606	5,835
1943	42,336	28,743	13,593
1944	42,775	30,441	12,335
1945	34,277	31,165	3,112
1946	37,757	35,700	2,057
1947	45,732	45,413	319
1948	54,395	51,993	2,402
1949	58,157	58,064	93
1950	61,210	61,811	(601) deficit

Source: Richard K. Stuart, *Financing Public Improvements in the State of Maine* (University Press, Orono, 1957), p. 61.

$8.5 in 1950, and had entirely eliminated its general fund bonds by 1951. It established reserves for post-war capital construction and responded to what became irresistible demands for increased public services. Additional educational support was a constant pressure. Salary increases were demanded to meet increased living costs, welfare expenditures rose, and deferred capital requirements were met. In fact, the surplus became largely a post-war reserve for public improvements. Deficiency appropriations became a commonplace, and by 1950 the surplus was gone, and a $600,000 deficit (Table 5) faced the State.

The revenue structure of Maine in 1950 is outlined in Table 6. Over the past twenty years three new revenue sources had been added: commissions on pari-mutuels, cigarette and tobacco taxes, and revenues from the sale of alcoholic beverages. The ratio of receipts from highway users revenues had increased from 23 percent of total revenues to 31 percent, and federal aid now accounted for 21 percent of total revenues. The property tax had fallen from a ratio of 24 percent in 1930 to 8.5 percent in 1950. Maine's revenue structure had become a composite of highway revenues, federal aid and excises. Its conservative development is emphasized in Table 6. It had resisted all movements toward broad based taxes – income, sales, or gross receipts – but for the first time it faced the limits of its basic tax policy so far as property and excises were concerned. It also faced a cash deficit.

* * *

Much has been said over the years concerning Maine's resistance toward adopting a new broad based tax. Highway revenues, cigarettes, liquor and property, plus federal grants (the largest single source of revenue), supported the state's service requirements. Collectively, they accounted for about 80 percent of the consolidated revenues. But when the nationwide development of broad based taxes is examined, Maine's position closely parallels New England policy, and fits well with its historical heritage.

Wisconsin enacted the first modern income tax in 1911, and at that time only five other states retained an income tax – among them Massachusetts with a modification of its "faculty tax" dating back to colonial days. From 1911 to 1930, however, 12 additional states adopted modern individual income taxes. Eleven of these thirteen enacted some form of corporation income tax before 1930, and five other states adopted corporation net income taxes alone. In all, 19 states had some form of income tax before the depression period. In New England, these included a corporation franchise tax in Connecticut (1915), an individual income tax and corporate franchise tax in Massachusetts (1916 and 1920), and a tax on income from intangibles in New Hampshire (1923). Nearly all other states patterned their tax structures closely to Maine – property, highway revenue, selective sales, and licenses. West Virginia was the principal exception – in 1921 it passed a gross sales tax act, which was actually a classified sales tax on selected types of businesses.

It was not surprising that Maine failed to join the income tax movement. It reached only about 1/3 of the states, and except for Massachusetts, had touched lightly on New England. In the 1930's, however, there was a different story. In this decade, 18 states adopted individual income taxes and 17 of them adopted corporation income taxes. Within New England, Vermont, alone, adopted individual and corporation income taxes (1931). Between 1933 and 1935, 25 states adopted retail sales taxes; but only one New England state, again, Vermont, was included in this list, and Vermont repealed its sales tax in 1935. The adoption of depression taxes had left New England almost untouched, and Maine followed the New England pattern with a definite rejection of a sales tax at the polls.

Maine had accepted the New England policy – no broad based taxes and as a corollary, a modest support of local services. The 1940's developed two heavy pressures – the old pressures on the property tax became critical, and demands for school aid became impossible to deny. Sales taxes were adopted in Rhode Island and Connecticut in 1947, and Rhode Island enacted a corporation income tax the same year. This left New Hampshire and Maine without

TABLE 6

CONSOLIDATED REVENUES
1950
(in thousands of dollars)

	Adopted	Amount	Percent
State tax on cities and towns	1820 to 1951	$ 5,187	8.47
State tax on wild lands[1]	1909	341	.56
Inheritance and estate taxes	1893	1,476	2.41
Gasoline tax	1923	12,522	20.46
Motor-carrier-fuel tax (use tax)	1947	27	.04
Cigarette and tobacco taxes	1941	5,142	8.40
Taxes on public utilities	(1872-1883)	2,539	4.15
Taxes on insurance companies	1874	1,452	2.37
Motor Vehicle registration and drivers' licenses	1905	6,223	10.17
Hunting and fishing licenses	1903 circa.	1,079	1.76
Commissions on pari-mutuels	1935, 1949	320	.52
Other taxes[2]		1,727	2.82
From Federal Government[3]	—	13,012	21.26
From cities, towns, and counties[4]	—	1,484	2.42
Services charges[5]	—	1,589	2.60
Liquor and beer	1933-1934	6,566	10.73
Other revenue	—	525	.86
Total		$61,210	100.00

[1]Maine Forestry District created (1909) – Special tax 1½ mills on 9.5 million acres of wild lands. [2]Other taxes – corporations, banks, amusements, etc. [3]Largely federal aid for highways, welfare and employment security. [4]Payments for public welfare, highways and health services. [5]Rents and sales of commodities and services.

Source: Department of Finance and Administration, *Financial Report* (1950), p. 13.

PERCENT DISTRIBUTION: MAJOR REVENUES
1900-1950

	1900	1910	1920	1930	1940	1950
State tax on cities and towns	50.52	37.32	34.72	23.60	14.20	8.47
Gasoline	—	—	—	18.40	16.45	20.50
Motor Vehicles	—	.26	7.85	14.76	11.40	10.17
Cigarettes	—	—	—	—	—	8.40
Liquor	—	—	—	—	3.20	10.7
Federal aid	.50	—	—	—	13.82	21.26

Source: Jewett, *A Financial History of Maine* (1937), Appendix Tables D and E, U. S. Department of Commerce, *Financial Statistics of States:* 1940, Vol. 3, Statistical Compendium (1943), pp. 10-13.

a broad based tax. New Hampshire remains a property tax state. Maine ended its long resistance to new taxes by adopting a retail sales tax in 1951, and withdrew from the property tax field.

Maine had reached a point where 57 percent of its expenditures were for highways, bridges, health, welfare and charities (Table 7). Education had fallen to a low third and except for expenditures for conservation and development (6.5 percent of the total) all other ratios were less than 4 percent – including, however, interest on bonded debt, which had almost vanished.

TABLE 7

CONSOLIDATED EXPENDITURES
1950
(in thousands of dollars)

	Amount	Percent
General Administration	$ 2,401	3.90
Protection of persons and property	2,160	3.49
Development and conservation of Natural Resources	4,011	6.49
Health, welfare and charities	15,155	24.52
Institutions	4,550	7.36
Education and libraries	8,495	13.74
Highways and bridges	20,376	32.97
Employment Security Commission	1,070	1.73
Interest on Bonded Debt	281	.45
Miscellaneous	1,637	2.64
Institutional farms	—	—
Total Operating Expenses	60,137	97.29
Debt Retirement	1,674	2.71
Total Expenditures	61,811	100.00
Excess of Expenditures	$ 601	

Source: Department of Finance and Administration, *Financial Report* (1950), p. 13.

PERCENT DISTRIBUTION: MAJOR EXPENDITURES
(1900-1950)

	1900	1910	1920	1930	1940	1950
Highways and bridges	—	7.78	33.82	54.87	18.35	32.97
Health, welfare and charities	6.69	5.16	8.77	7.93	21.79	24.52
Education and libraries	37.56	32.44	20.59	14.81	11.10	13.74
Development and conservation of Natural Resources	5.10	9.42	7.20	4.45	3.91	6.49

Source: Jewett, *A Financial History of Maine* (1937), Appendix Tables D and E, U. S. Department of Commerce, *Financial Statistics of States: 1940,* Vol. 3, Statistical Compendium (1943), pp. 26, 27.

There have been few basic changes in the state tax and revenue structure since the adoption of the retail sales tax in 1951:

- In 1951, the railroad gross receipts tax was reduced by ¼ of 1 percent – from 2 to 1¾ percent; in 1955, the maximum gross receipts tax on telephone and telegraph companies was increased from 6 percent to 7 percent.
- In 1954, the gasoline tax was raised from 6 to 7 cents a gallon.
- In 1954, the tax on cigars and other tobacco was repealed.

In 1955, the cigarette tax was increased from 2 mills to 2½ mills for each cigarette.

In 1955, the rates under the domestic corporation franchise (capital stock) tax were doubled; from $25 per $1 million in the top brackets to $50 per $1 million.

In 1955, the consumers excise tax (actually a sales price "markup") on wine sold by the State Liquor Commission was increased by 23 cents, 75 cents and $5 a gallon, based on alcoholic content.

In 1957, the retail sales tax was increased from 2 percent to 3 percent, and in 1959 the tax was extended to rentals from hotels, rooming houses and tourist and trailer camps.

In 1957, the state tax on all pari-mutuel pools was increased from 5½ percent to 6 percent.

In 1959 a flat registration fee of $15 was adopted for all passenger motor vehicles, in place of fees ranging from $10 to $16 based on horse power.

TABLE 8A

CONSOLIDATED REVENUES

General Fund, Highway Fund
And Other Special Revenues Funds
(1959)
(in thousands of dollars)

Revenues	Amount	Percent
State Tax on Wild Lands	$ 512.8	.40
Maine Forestry District Tax	499.6	.39
Inheritance and Estate Taxes	3,001.6	2.29
Sales and Use Taxes	24,482.2	18.69
Gasoline and Use Taxes (Net)	22,241.7	16.98
Sardine Development Tax	499.0	.38
Cigarette Tax	6,188.1	4.73
Taxes on Public Utilities	3,958.5	3.02
Taxes on Insurance Companies	2,318.3	1.77
Motor Vehicle Fees and Drivers' Licenses	8,746.5	6.68
Hunting and Fishing Licenses	1,756.4	1.34
Commissions on Pari-Mutuels	977.5	.75
Other Taxes	2,140.3	1.63
° ° °		
From Federal Government	37,473.3	28.62
From Cities, Towns and Counties	2,869.1	2.19
Services Charges for Current Services	3,293.6	2.52
Liquor and Beer (Net)	8,573.5	6.55
Other Revenues	1,397.3	1.07
Total Revenues	$130,929.4	100.00

Source: Department of Finance and Administration, *Financial Report* (1959), p. 11.

BY SOURCE

From Taxes		$ 85,896.0	(65.60)
Property	$ 1,012.4		.79
Sales	66,739.8		52.49
Licenses and Privileges	16,143.8		12.32
Intergovernmental Revenues		40,342.4	(30.81)
From Federal Government	37,473.3		28.62
From Cities, Towns and Counties	2,869.1		2.19
Non-Tax Revenue		4,690.9	(3.59)
Service Charges	3,293.6		2.52
Miscellaneous	1,397.3		1.07
Total Revenue	$130,929.3	$130,929.3	100.00

Tables 8A and 8B indicate the tax and expenditure emphasis in Maine as of the present time. Maine has become a sales tax state – sales taxes account for 52 percent of its consolidated revenues. The general sales tax accounts for 19 percent; gasoline taxes, 17 percent; cigarette taxes, 5 percent; utility taxes, 3 percent; insurance premiums taxes, 2 percent; liquor price markups, 7 percent and pari-mutuel betting, .8 percent. The property tax has finally been removed as a source of general fund support, but federal aid is important – 29 percent of consolidated revenues. The expenditure pattern is still dominated by highways, bridges, health, welfare and charities as it was in 1950 (Table 7) – 61 percent. Education maintains about the same ratio of a decade ago – 14 percent; and debt services (almost entirely for highways and bridges) have fallen to less than 1 percent. As of today the state of Maine is comfortable with its present revenue and expenditure program.

TABLE 8B

CONSOLIDATED EXPENDITURES

General Fund, Highway Fund
And Other Special Funds
(1959)
(in thousands of dollars)

Expenditures	Amount	Percent
General Administration	$ 5,502.6	4.30
Protection of Persons and Property	4,370.0	3.41
Development and Conservation of Natural Resources	7,436.6	5.81
Health, Welfare and Charities	24,534.9	19.19
Institutional Service	8,806.5	6.89
Education and Libraries	18,260.5	14.27
Highways and Bridges	52,589.9	41.12
Maine Employment Security Commission – Administration	1,533.3	1.20
Interest on Bonded Debt	445.3	.35
Miscellaneous	4,312.2	3.38
Total Operating Expenditures	127,791.7	99.92
Debt Retirement	100.0	.08
Total Expenditures	$127,891.7	100.00

Source: Department of Finance and Administration, *Financial Report* (1959), p. 11.

HIGHLIGHTS

Population, Income and Employment

Since 1900, Maine has shown a moderate growth in population for each decade, but during the 1950's failed to maintain the increases of the 1940's.

Estimates for the 1960 decade promise increased gains comparable to the normal rate of growth and about equal to the United States average.

The six southwest counties, containing 12.7 percent of the state area and 51 percent of the population, have grown (1930-1959) 42 percent more rapidly than the state as a whole.

Maine's manufacturing income (1957) accounts for some 26 percent of total income – a slight decline since 1950 (28 percent), but a marked increase since 1929 when the ratio was 21 percent. The current ratio is comparable to other New England states except Connecticut (37 percent).

Trade (wholesale and retail) accounts for 15 percent of Maine's total income. Retail trade has increased 38 percent since 1948, and 41 percent in the southwest counties; wholesale trade has increased 80 percent throughout the state, and 88 percent in the southwest counties.

In total disposable income (income less tax payments), Maine ties with Rhode Island for third place among the New England states; but 81 percent of the total falls in income brackets below $10,000. This is well above the average for New England and the United States.

The six southwest counties provide 55 percent of the disposable income of the State. Cumberland, alone, provides 21 percent, and Androscoggin and York, about 10 percent each.

Kennebec, Androscoggin and Cumberland counties, have more than 21 percent of their disposable incomes above $10,000. This is close to the United States average (25 percent), but below the New England average (29 percent) – heavily weighted with Massachusetts (29 percent) and Connecticut (36 percent).

The ten upstate counties, as a whole, have shown substantial losses in population during the past decade, and an overall loss since 1930; but there remains a stable economic base; and Penobscot and Aroostook show larger population gains (1950-1960) than any other counties in the state.

While in the upstate counties, per capita income is, in all cases, below the state average, income per household is above the state average in Aroostook, Franklin and Penobscot; and Penobscot contains 12 percent of the income of the State, or more than 1/4 of the income of the ten upstate counties combined.

Ninety-one percent of employment in Maine is in non-agricultural activities – 29 percent manufacturing; 47 percent, non-manufacturing; 15 percent, self-employed.

Declines in textiles (1940-1958) were heavy throughout New England – in Maine, from 27 percent of employment in manufacturing to 17 percent. But Maine more than doubled employment in food products, and showed modest increases in forest and leather products.

In non-manufacturing, Maine showed a 39 percent increase between 1940 and 1958 – below the 43 percent for New England, and far below the national average of 65 percent.

The largest increase in employment (1940-1958) was in the construction industry – 4.7 percent to 7.4 percent – well above averages for New England, the Northeast and the United States as a whole.

Employment in government shows no increase between 1940 and 1958, but is the highest ratio (27 percent) among the New England states, and well above the national average (21 percent).

The six southwest counties contain 59 percent of the total employment; 58 percent of the employment in manufacturing; and 60 percent of the employment in non-manufacturing.

PART II

THE ECONOMY WE LIVE IN
Population, Income and Employment

* * *

POPULATION
Growth, characteristics and distribution

● From 1850 to 1900 Maine's population increase was 19 percent – from 583,000 to 694,000. At the turn of the century it ranked 30th in population, 33rd in the value of its agricultural products ($37 million); 32nd in mining products ($3.7 million) and 21st in manufacturing ($127 million).

From 1900 to 1960 its estimated population increase was 36 percent – from 694,000 to 937,000. In 1957 it ranked 36th in population; 38th in the value of its agricultural products ($190 million); 46th in mining products ($12.7 million); and 34th in manufacturing.

There are three major factors that give a rough measure of the economic strength of a State. These are population characteristics, employment opportunities and income production and distribution. They do not measure the total strength of a state. Some states of modest economic means have responded to their physical limitations, and developed patterns of internal strength that measure the character of its people. But taxation as a device to support public services is an economic problem, and public revenues depend upon an economic base. Whatever the service needs or aspirations of a state may be, they cannot be purchased at a price that destroys or impairs its economic base; and when the question of "When are taxes too high?" is raised, the answer is in economic terms.

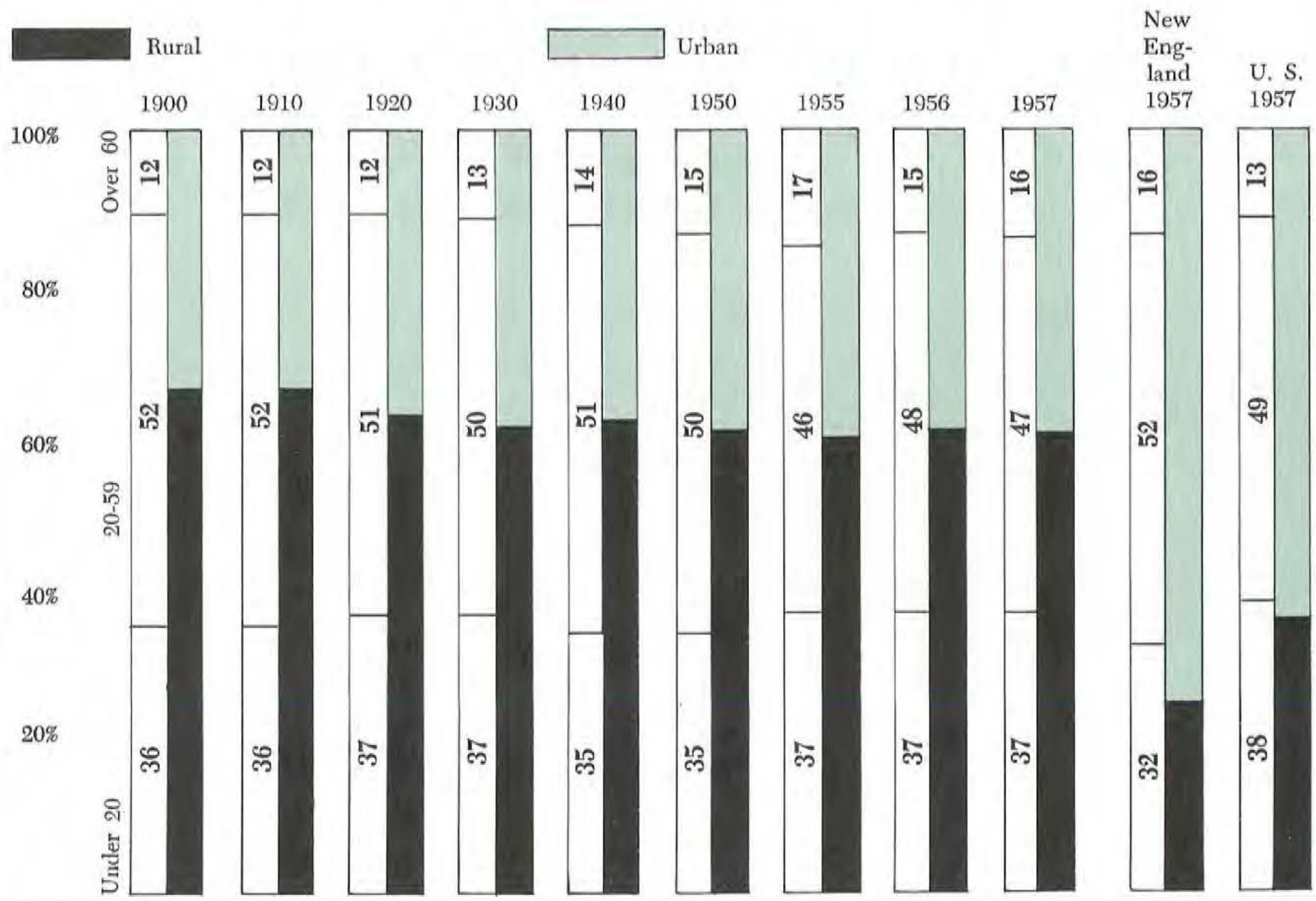
● A property tax is too high when it becomes so large a part of the costs that it is no longer profitable to own or operate property; a sales tax is too high when it unduly restrains the purchasing power of the taxpayers; and a personal income tax is too high when it impairs savings, investment and personal initiative.

Population – its growth, composition and distribution – is one index of taxable capacity, and Table 9 shows some interesting population facts pertaining to Maine. It will be noticed that from 1900 to the present, growth has been slow – an increase of about 36 percent. Its largest increase for a single decade was about 8 percent between 1940 and 1950 – and this during the booming years of World War II. Over the past 57 years its ratio of population to the population of the United States has declined about one-third; and approximately the same decline took place in relation to the population of New England and to the northeastern states as a whole. Its ratio of people over 60 years of age has increased from 12 percent in 1900 to an estimated 16 percent in 1957, and its ratio of people between the productive ages of 20 and 59 has fallen from 52 percent to 47 percent.

These figures, however, are subject to some modification. The productive capacity of those between 20 and 59 years of age has increased enormously since the turn of the century. Increased longevity is a modern phenomenon, and is reflected in the statistics of all states. Slow growth in population may be the mark of a mature community. Even in the growing years, Maine never showed the spurts in population increase that took place in many other states. The causes of these "spurts" were not present. Maine was never a "gateway to the West;" there was no occasion for transcontinental transportation by wagon trains, stage coach, canals, railroads or airlines; there was no "spilling over" from adjacent metropolitan areas, nor was Maine in any sense a link between high density populations. Its resources in agriculture, forestry and minerals, moreover, did not lend themselves to "boom" periods; but were adapted to a steady and permanent development, which, if not marked by spectacular growth, have, on the whole, avoided the dissipations of more "prosperous" areas. Maine is still a state of hundreds of small communities – but there are no "ghost towns" in the sense of the skeleton communities of the West.

TABLE 9

POPULATION DISTRIBUTION
MAINE, NEW ENGLAND AND THE UNITED STATES
Selected Years: 1900-1957



	1900	1910	1920	1930	1940	1950	1955	1956	1957	New England 1957	U. S. 1957
										in millions	
Total in thousands ...	694	742	768	797	847	914	919	929	939	(9.84	170.29)
% increase from previous census	5.0	6.9	3.5	3.8	6.2	7.9	0.6	1.0	1.0	1.2	1.8
% of U.S. ...	0.9	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	5.8	100%
% of New England	12.4	11.3	10.4	9.8	10.3	9.8	9.5	9.6	9.6	100%	—
% of North east[1]	3.1	2.7	2.5	2.2	2.2	2.2	2.0	2.0	2.0	—	—
Density per Sq. Mile ...	23.2	24.8	25.7	25.7	27.3	29.4	29.6	29.9	30.3	155.7	57.2

[1]New England plus New York, New Jersey, Pennsylvania, Delaware and Maryland.

Source: *U. S. Census of Population: 1950,* Vol. II, Characteristics of Population, Part I, United States Summary (1953), pp. 1-8, 1-10. *Current Population Reports,* Population Estimates, Series P-25, No. 196, No. 189 (Mar. 16, 1959, Nov. 13, 1958).

TABLE 10A

PROJECTED POPULATION DISTRIBUTION
MAINE AND OTHER NEW ENGLAND STATES
Selected Years: 1950-1970
(amounts in thousands)

State	1950	Percent Increase '50-'55	1955	Percent Increase '55-'60	1960	Percent Increase '60-'65	1965	Percent Increase '65-'70	1970
Maine	914	0.6	919	2.0	937	2.6	961	2.7	987
New Hampshire	533	3.7	553	4.7	579	4.0	602	4.1	627
Vermont	378	−3.0	366	2.7	376	1.1	380	1.5	386
Massachusetts	4,690	2.6	4,414	3.1	4,961	9.1	5,118	3.1	5,278
Rhode Island	792	4.5	827	2.7	849	2.7	872	2.7	896
Connecticut	2,007	10.0	2,209	7.1	2,365	6.3	2,515	6.1	2,670
New England	9,314	4.0	9,688	3.9	10,066	3.8	10,449	3.7	10,844
United States	150,697	9.0	164,303	6.8	175,520	5.6	185,359	5.4	195,438

TABLE 10B

OREGON AND OTHER FAR WESTERN STATES

Oregon	1,521	10.8	1,685	12.3	1,892	10.4	2,088	9.9	2,294
Washington	2,379	9.6	2,607	10.5	2,882	9.0	3,140	8.6	3,409
California	10,586	22.4	12,961	15.0	14,901	12.3	16,738	11.5	18,656
Nevada	160	46.9	235	18.3	278	14.4	318	13.2	360
Idaho	589	3.9	612	7.5	658	5.8	696	5.7	736
Far West	15,234	18.8	18,100	13.9	20,611	11.5	22,982	10.8	25,455

Source: U. S. Census, *Current Population Reports*, Population Estimates, Series P-25, No. 160 (Aug. 9, 1957).

Within New England (Table 10A) Maine's population increase during the present decade has been slow – slower than any other New England state except Vermont. It has, however, shown no losses, and projections to 1970 indicate modest increases. It is the third most populous state in New England – dominated by Massachusetts and Connecticut which together account for 72 percent of the total population. It likewise has more than three times the area of any other New England state and the lowest density (30.3) per square mile. It must be remembered, however, that the figures upon which these broad generalizations are averages and even averages of averages, and that population projections have a reputation for being widely off the mark. Nevertheless, over a period of time, they are useful in indicating trends, and while they often suggest points from which to explore unique conditions that may account for the variations, as absolute values they must be used with caution.

Tables 10A and 10B present this picture for the six New England states and the five far western states. In 1950 there was a rough similarity in population within these two groups. Nevada and Idaho were comparable to the two smaller New England states of New Hampshire and Vermont. California and Massachusetts dominated their respective areas. Washington and Connecticut were closely comparable, and Oregon and Maine held third place within their respective areas. From 1950 to 1955 the Far West as a whole increased 18.8 percent – twice the national average; and New England increased 4 percent – less than ½ the national average. Between 1955 and 1960, the relative ratios were about the same as over the previous five years. The projections to 1970 show an estimated increase in the five far western states since 1950 of about 67 percent, and in New England of about 16 percent. Age groups are a rough indication of the vitality of an area. Table 11 shows the emphasis in Oregon on the productive years of 20 to 59 and the same emphasis is clear over the Far West as a whole. But Maine is close to the national average in its age distribution for those under 20; below the national average for those between 20 and 59, and above the national average for those over 60. Within New England, however, projections compare fairly well with the averages in each classification.

These comparisons are not presented to indicate that the Far West is growing more rapidly than New England. This is common knowledge, and needs no statistical demonstration. It is rather to emphasize that the oldest economy in the United States is still growing, and still anticipating growth, at about ¼ the rate of the newest economy. While this is still about ½ the rate of the total national increase anticipated between 1950 and 1970, it is important to note that the new economies weigh heavily in this average. Maine is not a static community, nor is New England a static region. Only one state, Vermont, has shown a loss in population since 1950 and it is anticipated that this will be checked by 1970. Both Maine and New England have matured to a point where their economic resources are insufficient to attract large new populations, and while populations alone are not an adequate measure of a tax base, they do become significant when related to employment and income.

There is, however, another phase to this picture. The Southwestern portion of Maine (Table 12) is composed of four industrial centers – Biddeford-Saco (York County); Brunswick-Bath (Cumberland and Sagadahoc Counties); Auburn-Lewiston (Androscoggin County) and Greater Portland (Cumberland County). Two additional counties, Kennebec and Lincoln, are closely related to this area on the north. Collectively they form the greater industrial region of Maine. This area contained 469,132 people at the time of the 1950 census – 51.3 percent of the population of the state in 12.7 percent of the total area. From 1930 to 1959, it grew 42 percent more rapidly than the state as a whole – a ratio of growth that has been maintained since 1930. Tax wise this is significant: It is upon this southwestern ellipse that the state must depend for the principal support of statewide services – particularly, schools, highways and welfare.

TABLE 11

PROJECTED POPULATION BY AGE GROUPS
MAINE, NEW ENGLAND, OREGON, FAR WEST
AND THE UNITED STATES
Selected Years: 1950-1970
(In percent)

	1950	1955	1960	1965	1970
Maine					
Under 20	35	37	38	37	35
20-59	50	46	46	46	48
60 and over	15	17	16	17	17
New England					
Under 20	31	34	35	35	34
20-59	55	50	48	48	49
60 and over	14	16	17	17	17
Oregon					
Under 20	33	36	37	36	35
20-59	54	50	49	50	51
60 and over	13	14	14	14	14
Far West[1]					
Under 20	31	35	36	35	34
20-59	56	52	40	51	52
60 and over	13	13	14	14	14
United States[2]					
Under 20	34	36	38	39	37
20-59	58	55	53	52	53
60 and over	8	9	9	9	10

[1]Oregon, Washington, California, Nevada and Idaho.
[2]Excluding Hawaii and Alaska.

Source: U. S. Census, *Current Population Reports,* Population Estimates, Series P-25, No. 160 (Aug. 9, 1957)

These are steadily growing communities. They do not equal the growth of the Far Western states, but they represent a 56 percent increase (1940-50) over the state as a whole, and are close to the United States average. It will be noticed, however, that this increase was not maintained during the decade 1950-1959. While there is some difference in the projections, even the most favorable estimates fall short of the 1940-1950 record. If the estimates of the Bureau of the Census for the state as a whole are used (and they are the most favorable), the 1950-59 increase is 3.9 percent. There are no census estimates for each county. If the Sales Management estimates are used, the 1950-59 increase becomes insignificant for the State and 1.6 percent for the six counties. Except for Vermont, the census figures for Maine show the lowest increase for any state in New England. Table 10A indicates, however, that the 1960 decade prom-

TABLE 12A

SOUTHWEST MAINE
Population Growth
(1930-1959)

	Population 1950	Land Area Sq. Mi.	Density Per Sq. Mile	1959[1] (thousands)	% Increase Population 1950-59	1930-59	1940-50	1930-40	Percent Urban 1950[2]	1940[3]
Androscoggin	83,594	478	174.9	84.6	1.2	18.8	9.0	7.7	80.3	76.2[3]
Cumberland	169,201	881	192.1	174.7	3.3	29.8	15.9	8.4	71.4	73.6[3]
Kennebec	83,881	865	97.0	85.0	1.3	20.2	8.6	9.3	6.2	58.3[3]
Lincoln	18,004	457	39.4	17.9	−0.6	15.5	10.5	5.1	0	0
Sagadahoc	20,911	257	81.4	21.4	2.4	26.6	9.3	13.0	50.9	53.5
York	93,541	1,000	93.5	92.8	−0.7	27.3	13.3	13.2	62.9	34.4[3]
Total	469,132	3,938	119.1	476.4	1.6	24.8	12.3	9.4	66.0	53.2
State	913,774	31,040	29.4	914.6	0.1	17.5	7.9	6.2	41.0[2]	40.5[3]
Ratio: Southwest Maine	51.3	12.7	—	52.1		141.7	155.7	151.6	65.6	72.8[3]
United States	150.7 (millions)	3.0 (millions)	50.7	174.9 (millions)		42.4	14.5	7.2	64.0	49.4

[1] *Sales Management*, Vol. 82, No. 10 (May 10, 1959), pp. 392-393.
[2] The urban definition established by the 1950 census: incorporated places of 2,500 or more; unincorporated places of 2,500 or more outside an urban fringe; an urban fringe around cities of 50,000 or more. Everything else is rural.
[3] The definition in previous censuses: unincorporated places of 2,500 or more and areas classified as urban under special rules.

Source: U. S. Census, Number of Inhabitants, Maine (1950) *Report*, P-A 19 (1951), p. 19-9.

ises some improvement – 5.3 percent increase as opposed to the 3.9 percent of the 1950's. The facts seem to suggest that losses in the textile fields, as well as losses in the rural areas have not been adequately compensated by gains in the southwest counties.

It is realized that more favorable growth statistics can be developed by selecting the high density area of any State, but Maine has unique characteristics that give some validity to the selection. When compared to New England as a whole, it occupies almost half the land area – 31,000 square miles compared to a total 63,000 – but with less than 10 percent of the population. The Southwest region is not an isolated metropolitan area. It contains about 4,000 square miles – about as large as Connecticut – and some 500,000 people. It is the principal environment to which industry looks for new sites, new populations look for new homes, and the state looks for revenues to sustain its public services. For comparative purposes, it is the hub of the economy in the same sense that Portland is the hub of the state of Oregon; Wilmington, the state of Delaware; Salt Lake City, the state of Utah, the "southeastern industrial triangle," the state of Wisconsin; and the coastal strip of Puget Sound (comparable in significance to the Maine Ellipse), the State of Washington.

There is another area of importance in the industrial life of Maine. To the north of the Maine Ellipse (Table 12B), is Penobscot County. This is an inland empire of its own. It has an area (3,408 square miles) more than three-fourths as great as the southwest counties combined. It has an estimated population (1959) of 115,500, second only to Cumberland County, and between 1930 and 1959 maintained its rate of growth with the large counties to the south, and exceeded them during the decade of the 1950's with an overall gain of 6.8 percent. It contains the city of Bangor, the third largest in the state (31,000), and when interpreted as a region extending from Bangor and Brewer to Orono, Old Town, Dexter, Lincoln and Millinocket, and west to include Somerset County with the developing communities of Pittsfield and Skowhegan, it becomes a major industrial area. Its plants manufacture practically all durable and non-durable goods which compose the Maine economy, particularly lumber, food and kindred products, leather and leather products, and textiles and apparel.

The remaining nine counties (Table 12B) with the exception of Aroostook, have shown population losses during the past decade – Piscataquis as high as 16 percent. Aroostook has shown the largest gain – 4.6 percent, second only to Penobscot among the 16 counties. This is the "potato empire" with about 3,000 growers, and important industrial processing. While the remaining counties have been losing population during the past decade – and several since 1930 – they nevertheless have substantial business activities. Franklin county is the recreation center for the Rangeley region, plus some manufacturing in forest products, fabrics and leather goods. Hancock is an important northshore resort area, with many fisheries and processing plants for fish, fruits and vegetables, a large paper mill at Bucksport and granite quarries at Stonington. Knox county is another north shore resort area, with Rockland, "the lobster center of the world", Thomaston with the only cement plant in New England, and Camden, a site for manufacturing plants.

The western boundary of Oxford county includes about 2/3's of the New Hampshire line, and is primarily a forest area with large wood working plants in Rumford at the junction of the Swift and Androscoggin rivers. Piscataquis county is the location of Baxter State Park and Moosehead Lake, with its industry centered in logging and recreational facilities. Somerset – between Piscataquis and Franklin counties – is also heavily forested. There are paper mills on the Kennebec river at Madison and Fairfield, the Wy-

TABLE 12B

UPSTATE MAINE
Population Growth
(1930-1959)

	Population 1950	Land Area Sq. Mi.	Density Per Sq. Mile	1959 (thousands)	Percent Change Population				Percent Urban	
					1950-59	1930-59	1940-50	1930-40	1950	1940
Penobscot ..	108,198	3,408	31.7	115.5	6.7	25.0	11.4	5.1	56.8	45.3
Aroostook	96,039	6,805	14.1	100.4	4.6	14.4	1.7	7.5	34.1	8.6
Franklin	20,682	1,717	12.0	19.7	−4.8	−1.0	4.0	−0.2	15.1	—
Hancock	32,105	1,542	20.8	31.1	−3.1	1.3	−1.0	5.5	20.3	12.1
Knox	28,121	362	77.7	27.7	−1.4	—	3.4	−1.8	44.5	32.7
Oxford	44,221	2,085	21.2	40.6	−8.1	−2.2	3.7	2.8	32.6	19.8
Piscataquis ..	18,617	3,948	4.7	15.6	−16.1	−14.3	0.8	1.3	13.8	—
Somerset	39,785	3,948	10.1	37.5	−5.8	−4.1	4.0	−2.2	39.0	15.7
Waldo	21,687	734	29.5	19.6	−9.7	−3.4	2.5	4.3	27.5	26.2
Washington	35,187	2,553	13.8	30.5	−13.4	−19.3	−6.8	−0.2	21.9	22.5
Total 9 Counties ..	336,444	23,694	14.2	322.7	−4.1	−0.12	1.3	2.8	30.0	14.9
Ratio 9 Counties to State ..	36.8	76.3		35.3			16.5	45.2	73.2	36.8

Source: Same as Table 12A.

man Power Dam – one of the largest hydroelectric plants – at Bingham, and textiles, shoes and related products are made at Skowhegan and various points on the Kennebec river between Madison and Fairfield. Waldo county is the heart of the fast-growing poultry industry, with the farms scattered throughout the county, and processing centered around Belfast, the county seat. Washington county, the most eastern part of Maine, is well known for its processing of fish, fruit and blueberries. On its most eastern tip is Cobscook Bay, the site of the proposed International Passamaquoddy Power Project, designed to utilize the tides in the manufacture of hydroelectric power. Should this project be completed it would doubtless have an important impact on all aspects of the economy of Maine.

* * *

There is still another factor in population which the census does not reflect – the seasonal population of Maine. Maine as a resort area has had over a hundred years of history. Since the Isle of Shoals provided the first hotel on Appledore in 1851, summer visitors have increased to the point where tourism has become a major industry. The 19th century developed vacation sites that were by-words throughout the country; and from the ocean resorts of Kittery, York, Ogunquit, Old Orchard, Casco Bay, Boothbay and Mt. Desert, recreation centers spread inland to the forests and mountains. Many thousands of summer vacationers came to the great lake regions of Sebago, Belgrade, Rangeley and Moosehead and as they pushed farther north, the "gateway" moved from Portland to Bangor and from Bangor to Greenville.

Figures on this great summer migration are fragmentary. There had been no serious attempt at a thorough examination of the numbers, dollar volume or the business impact since the early 1930's. In 1959, however, three surveys were commenced. The Federal Reserve Bank of Boston began a study of the summer vacation industry in all of New England. The University of Maine began a study in September, 1959, to be completed by the end of this year, which will survey the entire recreation industry of Maine – where the visitors come from, what they do, where they stay, and how much they spend. The State Department of Economic Development is undertaking an inventory of the recreational facilities of the State. While only preliminary figures are available, they suggest a market value of $275 million (1959) for all privately-owned recreation facilities. This is about 10 percent of the market value of all taxable real estate. It has been estimated that on an active summer weekend, there are about 225,000 non-residents of Maine within the State. During the week there are probably half as many. While no information is available at the present time on the extent of the winter migration for hunting, skiing and vacations, it is common knowledge that this type of tourism has developed greatly over the past few years.

Nevertheless, there are elements of restraint in these figures on population that have fortunately been reflected in the tax and financial policies of Maine:

Maturity brings caution. Population estimates give no promise of rapid growth. This is nothing new to Maine. Its historic picture has been stability rather than growth, and its tax and finance policy has fitted rather well with its actual and potential requirements. Whether it is called "conservatism" or "prudence" Maine has shown an awareness of its limitations, and its population growth and distribution, past, current and projected, show no reason to depart from its established policy. Much can probably be expected from population increases in the southwestern counties, and these, plus vacation populations, will remain an important measure of its tax capacity.

INCOME
Sources and Distribution

● Maine's manufacturing income is basically derived from industries that had their origins in the early days of statehood – food, textiles, apparel, wood and leather products. They account for some 26 percent of total income, and except for recent losses in textiles, which was well compensated by growth in leather and leather products and food and kindred products, they have been a stable and reliable economic base. Trade (retail and wholesale) accounts for some 15 percent of total income. Two new sources, one in manufacturing (metals and machinery – 3.4 percent), and one in services (federal and state government – 20 percent) account for almost one-quarter of the total income. Collectively, manufacturing, trade and government, produce 61 percent of the total income of Maine; and each has shown a steady increase and development over the past decade.

Income measures the potential standard of living of a community – both public and private. In the field of taxation it is important, not only in dollar amounts, but as to the type and stability of its source. Some states rely heavily upon their natural resources – or sometimes a single resource, such as oil (Texas), coal (West Virginia) or timber (Oregon). Others rely heavily on property – particularly those that are largely agricultural (Nebraska) or heavily residential (New Jersey). Still others, short in property values and industrial development, depend upon sales taxes (Florida, South Dakota, Wyoming); some require personal income, corporate income and sales (Alabama, California, Iowa) to meet their requirements; and then there are those that depend mainly on income and property, among them Massachusetts and Vermont. This is not to say that tax structures can be wholly identified by the basic income sources of a state. There are many pressures – both tangible and intangible – that determine the ways in which a state will raise its public revenues. But by and large they must reflect the amount, type, and stability of its income.

In spite of its great area and high percent of rural population, Maine has been classified as a manufacturing state; but its industry has been so closely allied to its natural resources, that it may well be classified also as a natural resource state. Forest products – particularly wood pulp and paper – have long been the dominant industry, and account (Table 13) for more than 1/3 of the income from manufacturing today. The start in this field dates from about

TABLE 13

BASIC SOURCES OF INCOME IN MAINE
Selected Years: 1929-1957
(amounts in millions of dollars)

	1929		1939		1946		1950		1957	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total Personal Income	$479	100%	$417	100%	$933	100%	$1,087	100%	$1,568	100%
Farm	53	11.07	33	7.91	102	10.93	87	8.00	73	4.66
Construction and Mining	25	5.22	10	2.40	34	3.64	42	3.86	85	5.42
Manufacturing	(101)	(21.09)	(104)	(24.94)	(253)	(27.12)	(306)	(28.16)	(408)	(26.02)
Food Products[1]	6.0	1.25	6.0	1.44	18.4	1.97	23.5	2.16	31.9	2.03
Textiles and Apparel	16.3	3.40	23.6	5.66	62.3	6.68	78.6	7.23	60.2	3.84
Forest Products[2]	31.4	6.56	30.7	7.36	83.9	8.99	101.8	9.37	151.6	9.67
Leather Products	13.4	2.80	16.1	3.86	32.2	3.45	43.1	3.97	68.8	4.39
Metals and Machinery[3]	6.5	1.36	10.1	2.42	33.3	3.57	29.1	2.68	53.2	3.39
All other Manufacturing	27.4	5.72	17.5	4.20	22.9	2.46	29.9	2.75	42.3	2.70
Trade	64	13.36	68	16.31	139	14.90	166	15.27	240	15.31
Finance & Realty	13	2.71	11	2.64	16	1.71	23	2.12	43	2.74
Services	90	18.78	27	6.47	66	7.07	78	7.18	118	7.53
Transportation	24	5.01	18	4.32	40	4.29	41	3.77	58	3.70
Communication and Public Utility	8	1.67	9	2.16	17	1.82	22	2.02	35	2.23
Government	(37)	(7.73)	(64)	(15.34)	(151)	(16.19)	(172)	(15.82)	(314)	(20.02)
Federal	17	3.55	31	7.43	104	11.15	104	9.57	218	13.90
State and Local	20	4.18	33	7.91	47	5.04	68	6.25	96	6.12
Property Income	64	13.36	73	17.51	115	12.33	150	13.80	194	12.37

[1]Food processing – canning, packing, preserving of fish, vegetables and fruits.
[2]Lumber, pulp, paper, furniture and fixtures.
[3]Primary and fabricated metals, electrical and agricultural machinery, transportation equipment, and miscellaneous instruments.

Source: U. S. Department of Commerce, *Personal Income by States Since 1929* (Washington, D. C.: 1956), Tables 6, 63, 64, 66, 67, 69, 71, 74, 76; *Survey of Current Business*, Vol. 38, No. 8 (Aug. 1958), pp. 13-23.

the turn of the century, when rags gave way to wood fibre as a base for commercial paper. This was a perfect fit for Maine's abundant water power, spruce forests and the economy of transporting logs upon its rivers and streams. The Androscoggin, Kennebec and Penobscot rivers provided ideal sites for the industry, and to this day it remains clustered around such places as Westbrook, Livermore Falls, Madison, Rumford, Waterville, Augusta, and to the north in Bucksport, Brewer, Old Town, Lincoln and Millinocket. Together with wood products, furniture and fixtures, concentrated in the Portland and Lewiston areas, and the lumber production marked by scores of primary saw mills scattered throughout the entire state, the natural resources classified as forest products (Table 13), account (1957) for about \$152 million of the state's income – some 9.7 percent of the total income of the state. No other New England state approaches this ratio.

From the historical standpoint, textiles have been the most important industry in Maine. The manufacture of cotton goods was developing in the early years of the 19th century, encouraged by easy water power and ready access to ocean shipping. With cotton came wool. Since the colonial days wool fabrics had been part of Maine's economy. At first it was wholly a domestic activity, and remained so for the first few decades of statehood. By the close of the Civil War textiles had reached a substantial growth. Cotton mills tended to locate on the larger rivers; the woolen mills more or less on the smaller streams. Following the Civil War the industry experienced rapid expansion which continued well into the 20th century and Maine became widely known as a textile state.

Today the textile and apparel field accounts for 3.8 percent of the income of the state. As early as 1920 there was apprehension concerning the rapid development of cotton textiles in the south, and there was fear that the growth to which Maine had become accustomed, might not continue. There was, however, confidence in Maine's abundant water power, superior labor supply, an established market, and what was called "proximity to chief sources of capital and credit". From 1929 to 1950 the textile field held its place in Maine's economy. In 1929 (Table 13), it accounted for 3.4 percent of the total income; in 1939, 5.7 percent; in 1946, 6.7 percent, and in 1950, 7.2 percent. The industry was concentrated more or less as it had been from the beginning – principally in Lewiston, but with substantial plants in Sanford, Biddeford, Waterville, Augusta and Brunswick, and also in Camden, Bangor, and the Pittsfield-Dexter area. But the 1950's were a rough period on textiles everywhere, and Maine felt the impact. The competition of southern and foreign manufacturers took a heavy toll, and Maine's income from textiles fell from 7.2 percent of the total to 3.8 percent – from \$78.6 million to \$60.2 million, and employment in the industry was reduced by almost one-half.

There were, however, two strong compensating factors in the manufacturing field: leather and leather products, and food and kindred products. Leather like textiles has had a long history in Maine. The tanning industry developed because of great forests of hemlock, the bark of which was the principal base for the tanning process. In the early days, the manufacture of boots and shoes was a natural by-product, and there followed a long and steady development in the industry. It was with this industry that Maine had early and unhappy experiences with tax concessions. It became a common practice for towns, through voluntary subscriptions of its citizens, to provide factory sites, buildings and tax exemptions over a period of years resulting in the "tramp shoe manufacturer", who would remain long enough to exploit his advantages, and then repeat the performance on another site.

Auburn has become the major location for the leather industry and its side lines of rubber products, although Biddeford-Saco, Augusta, Bangor and southern Penobscot county are dotted with many plants. As a ratio of total income (4.4 percent), Maine exceeds other New England states except New Hampshire (6.4 percent), although in dollar volume (\$69 million) it is equal to New Hampshire and is exceeded only by Massachusetts. The steady growth of the industry since 1929 (Table 13), even through the rough period of 1950 to the present, did much to stabilize the economy and to compensate for the losses in textiles.

Food and kindred products account for about 2 percent of personal income, and the industry maintains the identity developed from the early days. Here was another commercial enterprise with its roots deep in the 19th century. Packing, canning and preserving were built around another group of commodities – fish, vegetables and fruits. By the turn of the century, the census of manufacturers (1905) reported sardine packing in Maine second only to the salmon packing of Alaska and the Columbia River area. The "raw material" was the herring fish of the coastal waters near Eastport, and the product was the "sardine pack". The canning of vegetables – corn, beans, squash, apples, tomatoes – began its growth after the Civil War, and blueberries early established a place of commercial importance. Lewiston and Bangor became the centers, with the canning of blueberries closely localized to a small part of Washington county, although substantial processing now occurs in Hancock, Waldo, Knox, Cumberland and Oxford.

Metals and machinery have become an important segment of manufacturing; although employment opportunities in this field have remained static during the last two decades, in terms of income, it has become a significant segment of manufacturing. Metalworking industries originated in the production of small parts for the textile mills dispersed around Lewiston and Auburn; for the shipbuilding facilities at Bath and Kittery; and for the saw mills and lumbering operations scattered throughout the State. The decline in textiles caused a decline in the manufacturing of textile machinery parts, and the closing of the Saco-Lowell Manufacturing Co. plant in Saco brought a loss of 4,000 jobs. New small plants have, however, developed which make parts for agricultural, leather, and automotive machinery, plumbing and heating equipment, and metal appliances for boats and ships, and road and building construction. The metals and machinery industry is spread statewide, with some concentrations in the Portland, Auburn-Lewiston, Waterville, Bangor-Brewer, and Presque Isle communities.

TABLE 14

BASIC SOURCES OF INCOME IN NEW ENGLAND
1957
(Totals in millions of dollars)

	Maine	New Hampshire	Vermont	Massachusetts	Rhode Island	Connecticut
Total Personal Income	$1,568 100%	$1,065 100%	$626 100%	$11,361 100%	$1,715 100%	$6,352 100%
Farm	4.7%	2.3%	7.5%	.6%	.5%	1.2%
Construction and Mining	5.4	5.0	5.3	4.6	4.1	6.3
Manufacturing	(26.0)	(30.3)	(23.8)	(28.6)	(29.4)	(36.5)
Food Products	2.0	.7	1.5	1.5	1.0	.7
Textile and Apparel	3.8	4.9	1.8	3.5	7.8	2.1
Forest Products	9.7	5.8	4.6	2.1	.7	1.0
Leather Products	4.4	6.4	.3	2.0	.1	.1
Metals and Machinery	3.4	7.9	8.8	11.3	8.5	22.9
All other Manufacturing	2.7	4.6	6.8	8.2	11.3	9.8
Trade	15.3	13.1	14.3	14.3	13.5	12.8
Finance and Realty	2.8	3.3	3.0	4.2	3.6	4.6
Services	7.5	9.0	9.6	10.3	7.8	9.3
Transportation	3.7	2.6	4.2	2.8	2.4	2.2
Communication and Public Utility	2.2	2.3	2.1	2.3	2.2	2.0
Government	(20.0)	(18.5)	(17.1)	(17.6)	(22.3)	(11.3)
Federal	13.9	12.5	10.4	10.9	15.8	6.2
State and Local	6.1	6.0	6.7	6.7	6.5	5.1
Property Income	12.4	13.6	13.1	14.7	14.2	13.8

Source: U. S. Department of Commerce, *Survey of Current Business*, Vol. 38, No. 8 (Aug. 1958), pp. 13-23.

Overall, manufacturing accounts for some 26 percent of the basic sources of personal income in Maine, as compared (Table 14) to 30 percent in New Hampshire, 24 percent in Vermont, 29 percent in Massachusetts, 29 percent in Rhode Island and 37 percent in Connecticut. While the income from farms has declined since 1929, with a sharp falling off in the present decade, it is still the highest ratio (4.7 percent) to total income among the New England states except for Vermont (7.5 percent). Construction (largely military facilities in northern Aroostook County, Bangor, Brunswick, Cutler and Portsmouth) and mining have likewise shown a strong upturn during the past ten years, due in part, to the current development of slate mines in Monson, the lime quarries in Rockland, granite quarries in Stonington, and sands and gravel suitable for construction throughout the State. With the exception of income from manufacturing, which is on the low side, Maine's ratios of income to total income are comparable to those in other New England States.

TABLE 15

RETAIL TRADE
ESTABLISHMENTS AND SALES
1948-1958

	Establishments: 1958 Total	With Payrolls	Sales (in millions) Total	With Payrolls
Maine	10,780	7,488	$1,019	$961
	Percent Change 1948-1958			
Maine	−2.8	−3.6	+37.5	+41.5
New England	−2.1	−4.1	+43.6	+47.4
Northeast	−3.8	−1.2	+43.3	+49.8
United States	+2.2	+1.4	+50.3	+55.1
	Total	Percent Change	Total	Percent Change
Southwest Counties	5,743	+0.3	$568.2	+40.7
Upstate Counties	5,037	−6.0	450.8	+33.5

Source: 1958: Bureau of the Census, Retail Trade (Preliminary) *Maine* (October, 1959); *Ibid.*, 1948: Retail Trade, *Maine* (1956)

Two large classifications account for 35 percent of Maine's total income: trade and government. Retail trade (Table 15) has shown a substantial growth. While total establishments have decreased slightly since 1948, sales have increased some 38 percent, and large gains are shown in almost all of the major retail classifications. The gains statewide are well above the gains of the upstate counties (33.5 percent) and about the same as in the six southwest counties as a whole (41 percent), but are exceeded or equalled in Cumberland (54 percent), Kennebec (39 percent) and York (38 percent). The southwest region accounts, however, for 56 percent of the total retail sales, and Cumberland county alone accounts for 25 percent. The gains in retail sales are impressive. While slightly on the low side, they compare with similar gains within New England and the Northeast as a whole; but both areas fall below the United States average — another evidence of the " mature " economy overweighted by sales activities in the more rapidly growing states.

The wholesale trade (Table 16) reflects the retail pattern, but with even more substantial gains. Total establishments — unlike the retail establishments — showed an increase of 67 percent; and total sales, an increase of 80 percent. It is clear that during the last decade, a large volume of wholesale activity has established distributing centers in Maine. The six southwest counties accounted for 62 percent of total sales, with 45 percent concentrated in Cumberland county. The upstate counties showed a larger gain in establishments (97 percent) but a lesser gain in sales (70 percent). The overall increase in wholesale trade is far above regional or national averages. It does not necessarily mean, however, that total wholesale sales reflect these ratios. In 1948, a large part of wholesale purchases was doubtless made from outside the State. It does indicate, however, that Maine has acquired wholesale establishments of its own that now count as distributors within the State. It will be noted (Table 16) that while establishments have increased 67 percent between 1948 and 1958, for once the ratios are heavily on the side of statewide development as compared to the southwest counties (46 percent). This indicates large wholesale activities outside of the established industrial region. Aroostook county alone increased its wholesale establishments 150 percent in the ten-year period.

TABLE 16

WHOLESALE TRADE
ESTABLISHMENTS AND SALES
1948-1958

	Establishments Total 1958	% Change 1948-58	Sales (in millions) Total 1958	% Change 1948-58
Maine	1,448	+66.6	$ 876	80.4
New England	15,398	+32.0	13,515	49.4
Northeast	83,349	+20.5	96,184	45.3
United States	280,091	+29.6	281,220	55.7
Southwest Counties	761	+46.1	544	+88.1
Upstate Counties	687	+97.4	332	+69.5

Source: 1958: Bureau of the Census, Wholesale Trade (Preliminary), *Maine* (February, 1960) 1948: *Ibid.*, Wholesale Trade, *Maine* (1956).

TABLE 17

SELECTED SERVICES
ESTABLISHMENTS AND RECEIPTS
1948-1958

	Establishments		Receipts (in millions)	
	Total 1958	% Change 1948-1958	Total 1958	% Change 1948-1958
Maine	6,217	+41.4	$ 112	+85.8
New England	59,780	+30.5	1,595	+94.3
Northeast	273,239	+61.8	11,324	+193.6
United States	951,890	+53.6	31,664	+137.6
Southwest Counties	3,418	+34.9	67	+76.8
Upstate Counties	2,799	+50.3	45	+101.8

Source: 1958: Bureau of the Census, Selected Services (Preliminary), *Maine* (January 1960). 1948: *Ibid.*, Service Trades, *Maine* (1950)

As in the case of retail and wholesale trade, receipts from services (Table 17) in Maine have increased during the period 1948-1958, but less than in New England, and much less than the Northeast, or the United States as a whole. The number of establishments has increased 41 percent in Maine compared to 31 percent in New England, but the receipts in Maine increased only 86 percent compared to 94 percent in New England. This would indicate that many of the new businesses in this field are small operations. Included in the list of selected services are such personal services as barber shops, beauty parlors, laundries, clothing and shoe repair shops; such business services as advertising, employment agencies, photo-finishing, and sign-painting; and repair services for automobiles, watches, furniture, radio, television, typewriters, and other mechanical devices. Hotels, motels, tourist courts, and camps and recreation services, such as theatres, race tracks, and sports promotions, are all included as services. As may be noted in Table 17, receipts from these businesses increased 86 percent in Maine in the ten-year period, compared to 94 percent in New England and 194 percent in the Northeast.

In the southwest counties, the growth in services was somewhat more modest than for the state as a whole and the upstate counties showed far higher gains both in establishments and receipts. As among the individual counties of the Southwest, however, there were well below average increases in number of establishments and receipts in Androscoggin and York counties but heavy increases in Lincoln and Sagadahoc. In Cumberland and Kennebec counties receipts from these services doubled from 1948 to 1958. At this time (1958), the counties of the Maine Ellipse contained 55 percent of the service trades establishments and accounted for 60 percent of the sales.

The activities of the Federal government have had a profound effect on the Maine economy. Its geographical location in the extreme northeastern part of the country, its long boundary with Canada and its fine seaport facilities have made it a natural focus for Federal activities. Immigration and customs facilities are required on the Canadian border and along the seacoast. Coast guard operations are necessary and easily based along the shore line. Naval installations at Kittery, and shipbuilding facilities at Bath make use of the natural harbors, and continue the long history of shipbuilding which preceded statehood.

Although the largest number of civilian employees are in the Portsmouth Navy Yard at Kittery, substantial numbers are employed at the Loring Air Force Base, Limestone; the Presque Isle Air Force Base, Presque Isle; the Dow Air Force Base, Bangor; the Air Force Sage Installation at Topsham; the Naval Air Station at Brunswick, and a Navy Radio installation center at Cutler. In addition to the wages received by the civilians, all pay and allowances of the armed forces are considered as income earned within Maine.

As indicated in Table 13, almost 14 percent of the income of Maine came from the Federal government in 1957. The $218 million of income in 1957 was more than double the $104 million from this source in 1950. *Maine Business Indicators* (April, 1959) published by the Center for Economic Research of Bowdoin College, indicates that payrolls to military and civilian personnel on established bases, tripled (1951-1958) from $25 million to $78 million. The total payroll of the United States Department of Defense in Maine is exceeded only by the payroll of the paper industry, and amounted to more than 20 percent of all wages paid in manufacturing. Although more than half the payroll in 1951 was to Navy personnel, by 1957 over two-thirds of the total was paid to Air Force servicemen and civilians. In spite of the great increase in armed forces payrolls, the bulk of such income still comes from the United States Departments of Agriculture, Justice, Post Office, and Treasury, supplemented from other departments and independent agencies.

TABLE 18A

DISTRIBUTION OF DISPOSABLE PERSONAL INCOME
MAINE, NEW ENGLAND AND THE UNITED STATES
1958

State	Amount (millions)	Percent of U. S.	Per Capita (thousands)	Per Household (thousands)
Maine	$ 1,466	.47	$1,602	$5,650
New Hampshire ..	963	.31	1,695	5,773
Vermont	571	.19	1,520	5,436
Massachusetts	10,035	3.26	2,004	6,886
Rhode Island	1,497	.49	1,776	6,062
Connecticut	5,569	1.81	2,331	7,973
New England	20,100	6.54	1,990	6,851
United States	307,568	100.00	1,758	6,005

Source: Survey of Buying Power, *Sales Management,* Vol. 82, No. 10 (May 10, 1959), p. 192.

From the tax angle there is another way of looking at personal income. While income is important from the standpoint of amount, source, and stability, the distribution of income among the people of the area, is equally a guide to tax policy. It is particularly significant when an income tax is under consideration. Disposable personal income is all income received by individuals, less tax payments. It will be noticed (Table 18A) that Maine (1958) is reported to have disposable income of $1.5 billions – almost equal to that of Rhode Island and therefore practically tied for third place among the New England States. On a per capita and per household basis, Maine falls to fifth place. When distributed by income groups (Table 18B), about 81 percent of the total falls in income brackets below $10,000. This is well above the average for New England and the United States. Its highest ratio (43 percent) falls in the $4,000 to $7,000 group, and is close to New Hampshire and Vermont. This is indicative of what a personal income tax would mean to Maine. It would rest heavily on the lower incomes; and in order to raise sufficient revenue, would require a flat rate as in Massachusetts or high rates and low exemptions as in Vermont.

TABLE 18B

PERCENTAGE DISTRIBUTION BY INCOME GROUPS

State	0 - to $2,499	$2,500 to $3,999	$4,000 to $6,999	$7,000 to $9,999	$10,000 and over	Total
Maine	6.0	14.4	42.7	17.4	19.5	100.0
New Hampshire	6.3	14.2	43.0	18.8	17.7	100.0
Vermont	8.1	16.1	42.9	16.9	16.0	100.0
Massachusetts	3.3	9.2	38.7	20.3	28.5	100.0
Rhode Island	5.5	13.7	39.9	19.0	21.9	100.0
Connecticut	2.0	5.3	34.5	22.7	35.5	100.0
New England	3.6	9.2	38.1	20.5	28.6	100.0
United States	5.9	11.4	37.5	20.5	24.7	100.0

Source: *Ibid.*

The Southwest counties provide some 55 percent of the total disposable income of the State. The pattern, however, is not substantially different from the over-all state distribution. The per capita and per household (Table 19A) figures are close. In the upstate counties per capita income is, in all cases, below state average, but in income per household, Aroostook, Franklin, and Penobscot are above state average, and Aroostook county shows income per household greater than the average of the six southwest counties. Penobscot contains 12 percent of the income of the state, or more than one quarter of the income of the ten upstate counties combined – second only to Cumberland; and Aroostook is close to tying for third place with Androscoggin and York.

In the distribution of income by income groups (Table 19B), Androscoggin, Cumberland and Kennebec are each well above the state average in the number of families having incomes of $10,000 and over. Aroostook county, the most northern of the counties, shows the highest percentage (27 percent) of persons in the top income bracket. None of the counties, however, compare with the state average of top bracket income that prevails in Connecticut (35 percent) and Massachusetts (29 percent). Within the $4,000 to $7,000 group, the ratios are comparable, except that they are unusually high in Sagadahoc and York counties (46 percent) and unusually low

TABLE 19A

DISTRIBUTION OF DISPOSABLE PERSONAL INCOME
MAINE AND ALL ITS COUNTIES
1958

State	Amount (millions)	Percent of State	Per Capita	Per Household
Androscoggin	$148	10.1	$1,755	$6,084
Cumberland	308	21.0	1,764	5,984
Kennebec	140	9.6	1,645	5,901
Lincoln	26	1.8	1,428	4,733
Sagadahoc	31	2.1	1,452	5,452
York	157	10.7	1,687	5,757
Total above 6 Counties	810	55.3	1,700	5,874
Aroostook	143	9.8	1,422	5,898
Franklin	31	2.1	1,588	5,793
Hancock	49	3.3	1,581	4,918
Knox	43	2.9	1,553	4,944
Oxford	64	4.4	1,570	5,591
Penobscot	179	12.2	1,552	5,783
Piscataquis	24	1.6	1,517	5,036
Somerset	56	3.8	1,495	5,097
Waldo	27	1.9	1,366	4,538
Washington	40	2.7	1,317	4,366
Total above 10 Counties	656	44.7	1,497	5,399
State of Maine	1,466	100.0	1,602	5,650

Source: Survey of Buying Power, *Sales Management*, Vol. 82, No. 10 (May 10, 1959), pp. 392, 393.

TABLE 19B

PERCENTAGE DISTRIBUTION BY INCOME GROUPS
MAINE AND ALL ITS COUNTIES
1958

	0 - to $2,499	$2,500 to $3,999	$4,000 to $6,999	$7,000 to $9,999	$10,000 and over	Total
Androscoggin	4.1	12.2	41.8	18.7	23.2	100.0
Cumberland	4.6	12.1	42.6	18.7	22.0	100.0
Kennebec	5.1	13.1	41.6	19.0	21.2	100.0
Lincoln	10.8	20.4	43.5	13.9	11.4	100.0
Sagadahoc	8.0	18.1	46.1	15.9	11.9	100.0
York	4.7	13.0	45.5	18.9	17.9	100.0
Aroostook	6.1	14.7	37.0	14.8	27.4	100.0
Franklin	6.6	15.6	43.5	16.6	17.7	100.0
Hancock	9.0	17.5	43.7	14.9	14.9	100.0
Knox	8.8	19.3	42.9	14.1	14.9	100.0
Oxford	6.0	14.5	44.0	18.0	17.5	100.0
Penobscot	6.2	14.0	43.7	17.9	18.2	100.0
Piscataquis	7.6	18.2	45.5	15.7	13.0	100.0
Somerset	7.9	17.5	45.6	17.2	11.8	100.0
Waldo	13.1	22.3	40.1	12.6	11.9	100.0
Washington	12.3	22.1	42.7	12.8	10.1	100.0
State of Maine	6.0	14.4	42.7	17.4	19.5	100.0

Source: Same as Table 19A.

(37 percent) in Aroostook county. Families having incomes of less than $3,000 are less than five percent of all families in Androscoggin, Cumberland, and York, and only 5.1 percent in Kennebec county. The upstate counties have consistently larger percentages in the lowest income group. In the Maine Ellipse, all counties, except Lincoln and Sagadahoc, have less than the state average number of incomes in the $2,500 to $4,000 income range, while upstate, only Penobscot is so situated.

• These estimates would seem to indicate that income is fairly evenly distributed as between the Southwest counties and the remainder of the State, another factor that would support the theory of a flat rate tax. Where incomes are modest and evenly distributed, progressive rates mean little either in terms of yield or in terms of equity; and this may account, in part at least, for Maine's long opposition to an income tax.

EMPLOYMENT

Manufacturing and Non-Manufacturing

TABLE 20

EMPLOYMENT IN MAINE
MANUFACTURING AND NON-MANUFACTURING
1940-1959
(amounts in thousands of persons)

	1940	1950	1956	1959 Amount	1959 Per Cent Distribution
Civilian Labor Force	328.2	342.4	378.9	384.4	
Unemployment	51.4	30.1	14.3	26.0	
Total Employment	276.8	312.3	364.6	358.4	100.0
Agricultural	39.8	34.7	29.7	31.9	8.9
Non-Agricultural	237.0	277.6	334.9	326.5	91.1
Manufacturing	96.4	108.4	110.1	103.4	28.9
Non-Manufacturing	119.4	144.7	169.1	168.8	47.1
Self-employed	21.2	24.5	55.7	54.3	15.1

Source: U. S. Bureau of the Census, *Census of Population: 1950*, Vol. II, Pt. 19, Maine (1952), pp. 31-35, and unpublished reports of the Maine Employment Security Commission.

Employment produces the great bulk of personal income, and its type, stability and coverage are measures of the " prosperity " of a community. It will be noticed (Table 20) that 91.1 percent of employed persons in Maine are in non-agricultural activities. This ratio compares to 92.5 percent in the United States as a whole. When total employment is broken down into its four major classifications – manufacturing, non-manufacturing, self-employed, and agricultural – the decline in manufacturing employment since 1950, becomes clear. The increase in non-manufacturing and the large increase in self-employed persons indicates a capacity to adjust to economic change.

TABLE 21

AVERAGE EMPLOYMENT IN THE NEW ENGLAND STATES
SELECTED MANUFACTURING INDUSTRIES
1940 and 1958
(amounts in thousands of jobs)

	Maine		New Hampshire		Vermont		Massa-chusetts		Rhode Island		Con-necticut	
	1940	1958	1940	1958	1940	1958	1940	1958	1940	1958	1940	1958
Total Manufacturing	96.4	99.5	66.6	78.6	28.8	32.8	584.6	642.0	129.2	108.8	312.9	384.9
	Percent Distribution											
Food Products	5.7	12.2	2.9	4.0	7.9	10.8	6.4	7.2	3.3	4.7	3.1	3.3
Textile and Apparel	27.1	17.1	23.6	19.0	18.2	9.9	28.3	16.5	49.5	29.8	19.6	8.9
Forest Products	31.5	32.7	22.9	17.5	29.1	22.9	8.1	8.0	2.2	2.4	3.1	3.3
Leather Products	19.1	22.0	31.2	26.0	2.4	2.1	12.4	9.1	.6	1.0	1.1	.7
Metals and Machinery	11.1	10.7	10.9	23.3	17.5	33.1	26.3	37.8	24.0	28.8	53.5	66.7
Other Manufacturing	5.5	5.3	8.5	10.2	24.9	21.2	18.5	21.4	20.4	33.3	19.8	17.1

Source: U.S. Bureau of Labor Statistics, *State Employment, 1939-1956* (May 1957) and *Employment and Earnings*, Vol. 5, No. 11 (May 1959), p. 81 and other sources.

Table 21 indicates the relative position of employment in the manufacturing field as among the New England states, and the changes in emphasis between 1940 and 1958. The heavy decrease in employment in the textile and apparel field stands out clearly in each state. It will be noticed, however, that in all states except Rhode Island, the total employment in manufacturing increased, but that the increases in Maine and Vermont were small. The loss of employment from textiles was overcome in other fields, but nevertheless denied the employment increases that occurred in other states that did not have the handicap of a " loss " industry. Maine more than doubled employment in food products, and now leads New England in its ratio to total employment in manufacturing in this field. It likewise showed a modest increase in employment within the forest products field, while most of New England showed losses. The same is true of leather products with Maine second only to New Hampshire in relative importance. In actual numbers, Maine has more jobs in the leather industry than New Hampshire but less than Massachusetts.

In the field of metals and machinery Maine has barely held its own, while substantial gains have been made in the other New England states. Although income from this activity has shown a marked increase in the last three decades, Maine is far behind other New England states in employment and income from this source. The losses in textiles were made up by the development of Maine's basic industries – food, forest, and leather products; but the remaining New England states had larger backlogs of diversified industries, and with this and their marked expansion in metals and machinery, they were able to show greater overall increases in manufacturing employment. Only Rhode Island, even with large increases in " other manufacturing " and the highest ratio (33.3 percent) in New England, showed an overall decrease in manufacturing employment between 1940 and 1958.

* * *

Non-manufacturing (Table 22) employment in Maine increased from 119,400 in 1940 to 165,400 in 1958. This 39 percent increase was less than the 43 percent increase in New England and the Northeast, substantially less than the 64.8 percent national increase, but consistent with the slower growth pattern in Maine's more mature economy.

The large number of government employees in Maine is significant. In 1940, 26 percent of its non-manufacturing employees were in this class, and in 1958, 27 percent. In 1940 only 18 percent of such employees in the Northeast were in government employ, and 20 percent nationwide. The large growth in government employment, as expanding areas acquired more school teachers, policemen, firemen, and maintenance personnel, was felt lightly in New England, which, in terms of numbers, if not in terms of salaries, already had such people on its payrolls. Throughout the United States, government employment is now about 23 percent of all non-manufacturing employment, but Maine is still well above the average.

One of the largest increases in employment in Maine has been in the construction industry. Its 7 percent of employees so engaged in construction is close to the national average. The change, however, from 1940 when only 4.7 percent of Maine's employees outside of manufacturing were in construction work, is much greater than for the country as a whole — 6 percent to 7½ percent. Maine showed a slight increase in the percentage of its workers in mining, which contrasts with the national down-trend, and the steep drop in the Northeast, which includes the mining state of Pennsylvania. In transportation and utilities, Maine shows a loss, but the decline was not as great as in the country as a whole, the Northeast, or all of New England.

Employment in wholesale and retail trade, as a percent of all non-manufacturing employment declined in Maine as it did elsewhere, although it must be remembered that self-employed persons in these fields are not counted. The drop was not as great as in New England, but greater than the decline in the Northeast and for the nation as a whole. Employment in financial establishments and real estate offices increased slightly in Maine (from 4.6 percent in 1940 to 5 percent in 1958) which was lower than the increase in New England but opposed to the decline in this area for the Northeast. For the country as a whole, finance and realty maintained the same percentage of non-manufacturing employment as in 1940 and 1958 (6.8 percent), indicating that the 65 percent increase in non-manufacturing employment did not disturb the relationship of jobs in this sector to total employment.

TABLE 22

AVERAGE ANNUAL EMPLOYMENT
NON-MANUFACTURING
1940 and 1958

	Maine		New England		Northeast[1]		United States	
	1940	1958	1940	1958	1940	1958	1940	1958
Total Non-Manufacturing (thousands of employees)	119.4	165.4	1,481.8	2,120.0	7,289.0	10,442.1	21,278	35,075
				Percentage Distribution				
Mining	.3	.4	.1	.1	3.3	.9	4.3	2.1
Construction	4.7	7.4	6.7	8.0	5.7	7.2	6.0	7.5
Transportation and Utilities	13.7	11.6	11.8	9.9	14.2	11.7	14.2	11.1
Trade	34.4	32.6	35.6	32.8	32.5	32.3	32.6	31.8
Finance and Realty	4.6	5.0	7.3	8.5	9.0	8.8	6.8	6.8
Service	15.9	16.4	17.9	19.8	17.5	20.0	16.3	18.2
Government	26.4	26.6	20.6	20.9	17.8	19.1	19.8	22.5

[1]Includes New England, New York, New Jersey, Pennsylvania, Delaware and Maryland.

Source: U. S. Bureau of Labor Statistics, *Employment and Earnings,* Vol. 5, No. 2 (May 1959) and other sources.

TABLE 23

AVERAGE EMPLOYMENT IN THE NEW ENGLAND STATES
NON-MANUFACTURING[1]
1958

	Maine	New Hampshire	Vermont	Massa-chusetts	Rhode Island	Con-necticut
Total Non-Manufacturing (thousands of jobs)	165.4	101.3	68.1	1,135.9	163.3	486.0
			Percentage Distribution			
Mining	.36	.20	1.76	—	—	—
Construction	7.38	8.69	7.20	6.73	10.90	10.04
Transportation and Utilities	11.61	9.67	11.45	10.03	8.75	9.47
Trade	32.65	32.58	30.10	33.21	31.66	32.84
Finance and Realty	5.02	6.61	5.14	8.61	7.78	10.49
Services	16.38	21.03	20.56	20.72	18.31	18.95
Government	26.60	21.22	23.79	20.70	22.60	18.21

[1]Wage and Salary employees only, excluding manufacturing and agriculture.

Source: U. S. Bureau of Labor Statistics, *Employment and Earnings,* Vol. 5, No. 11 (May 1959), pp. 78-86.

In 1958 (Table 23) Maine had approximately 165,000 people holding jobs in non-manufacturing industries. This was far less than the number in Massachusetts and Connecticut, but more than the number in New Hampshire, Vermont, and Rhode Island, and fits with the population in each state. Maine leads the other New England states in the percentage of its workers in government employment. This includes those in the employ of state and local governments, but is heavily weighted by employees of the Federal government. Among the New England states, Maine also leads in the percentage of non-manufacturing employees in transportation and utilities. Since Maine is the largest state in area and has the lowest density of population, it is to be expected that more workers would be needed to transport goods and persons in common carriers and to provide communication and power over longer distances.

Maine has, however, a smaller percentage of its non-manufacturing employees in the service trades than the other New England states. Although tourism is an expanding industry, it is likewise expanding in the other states. In addition, some of the services in other New England states revolve around transients and the needs of high density areas, both of which are absent in Maine. Maine has almost one-third of its non-manufacturing employees engaged in retail and wholesale trade. While this concentration varies little among the New England states, only Massachusetts and Connecticut have larger percentages. Maine has a great number of self-employed people in trade, excluded in the above estimates, and, as was pointed out in the section on income, derives a larger part of its income from trade – wholesale and retail combined – than any other New England state.

Maine is lowest in employment in finance and realty. The need for such services is moderate compared to Connecticut with its commuting population, and Massachusetts with its great urban concentration in Boston. Rhode Island and New Hampshire, less rural than Maine and Vermont, need comparatively more workers in this field. Mining and quarrying establishments are non-existent as places of employment in the southern tier of New England states. Maine has a few more jobs in this category than New Hampshire, but much less than Vermont, where a thousand people are employed. Over 7 percent of the non-manufacturing employees in Maine are in construction activity. This is about average for most of New England, although in Rhode Island and Connecticut, the ratio is over 10 percent.

The Maine Ellipse (Table 24), consisting of the six counties in the southwest, has 51 percent of the population of the State, but 59 percent of the employment. Table 24 shows the distribution for the first quarter of 1956, the latest period available. These figures differ slightly from those shown elsewhere, since only employees subject to federal social security tax are included. This eliminates all self-employed persons and all government workers. Employment in this category is divided throughout the state, 52 percent in manufacturing, and 48 percent in non-manufacturing. Fifty-eight percent of the manufacturing employment and 60 percent of the non-manufacturing employment is concentrated in the southwest counties.

Forest products industries are generally located in the upstate counties. Only 38 percent of the employment in wood products, furniture, fixtures, pulp and paper mills is found within the Ellipse. Employment in food processing plants is somewhat less than average for the southwest counties. However, 65 percent of metals and machinery employment, 67 percent of leather products and 71 percent of textiles and apparels, are contained within these counties. Almost all "other" manufacturing (93 percent) takes place in southwest Maine.

In the field of non-manufacturing, similar concentrations take place. Almost 70 percent of employment in financial and real estate offices is found in southwest Maine; 61 percent of construction, transportation, and utilities employment; and 60 percent of service employees. Only 58 percent of employment in retail and wholesale trade is found in this area, reflecting in part the great growth in wholesal-

TABLE 24

EMPLOYMENT IN MAINE
AND ITS COUNTIES
MANUFACTURING AND NON-MANUFACTURING
First Quarter, 1956: in thousands

	State Employment	Percent State	Southwest Counties[1]		Upstate Counties[2]	
			Employment	Percent State	Employment	Percent State
Total Employment	201.7	100	118.8	59	82.9	41
Total Manufacturing	104.9	52.0	61.0	58	43.9	42
Food Products	7.7	3.8	4.3	56	3.4	44
Textile and Apparel	20.6	10.2	14.6	71	6.0	29
Forest Products	36.7	18.2	14.0	38	22.7	62
Leather Products	22.0	10.9	14.8	67	7.2	33
Metals and Machinery	12.0	6.0	7.9	65	4.1	35
All other Manufacturing	5.9	2.9	5.4	93	.5	7
Total Non-Manufacturing	96.8	48.0	57.8	60	39.0	40
Mining	.3	.1	.1	28	.2	72
Construction	9.6	4.8	5.9	61	3.7	39
Transportation and Utilities	12.6	6.2	7.7	61	4.9	39
Trade	51.0	25.3	29.5	58	21.5	42
Finance and Realty	7.6	3.8	5.2	69	2.4	31
Service	15.7	7.8	9.4	60	6.3	40

[1]Androscoggin, Cumberland, Kennebec, Lincoln, Sagadahoc, York.
[2]Aroostook, Franklin, Hancock, Knox, Oxford, Penobscot, Piscataquis, Somerset, Waldo, Washington.

Source: U. S. Department of Commerce and U. S. Department of Health, Education and Welfare. *County Business Patterns, First Quarter 1956*, Pt. 2 (1958), pp. 27-48. Only employees covered by Social Security are included in this Table.

ing in Aroostook county. Mining employment located primarily in Knox, Waldo, and Oxford counties, consisted of 254 jobs throughout the state in the first quarter of 1956. The 71 jobs in Cumberland county was the total of mining employment in southwest Maine.

* * *

The State Employment Security Commission has made a careful analysis of Maine's economy during the 1950's, and a thoughtful projection of its future problems. The analysis marked this decade as a "transition" – a period in which dramatic changes occurred in the state's industrial pattern. Maine, like the rest of the country, responded to the boom of the Korean War and the post-war adjustment. By the middle of the decade, the economy (except for textiles) was doing well, and in 1956, employment rose to a post-war peak. There was a strong down surge in 1957 and early 1958, with a strong upsurge late in 1958 and 1959. Then came the restraint and recovery of the steel strike, and stability at the close of the decade.

Employment increased over the decade – the wage and salary jobs rose from 253,100 in 1950 to 272,200 in 1959. The distribution of employment also changed. There was a loss of 5,000 workers in manufacturing, and a gain of 24,100 workers in non-manufacturing activities. The loss in manufacturing was largely in textiles, due to southern and foreign competition, and in lumber and wood products due, in large part, to technological improvements in production methods. Employment in the non-manufacturing industries remained steady over the period, with small losses in mining and transportation. The development over the decade in non-farm employment looked like this:

Maine Nonfarm Employment in 1950 and 1959

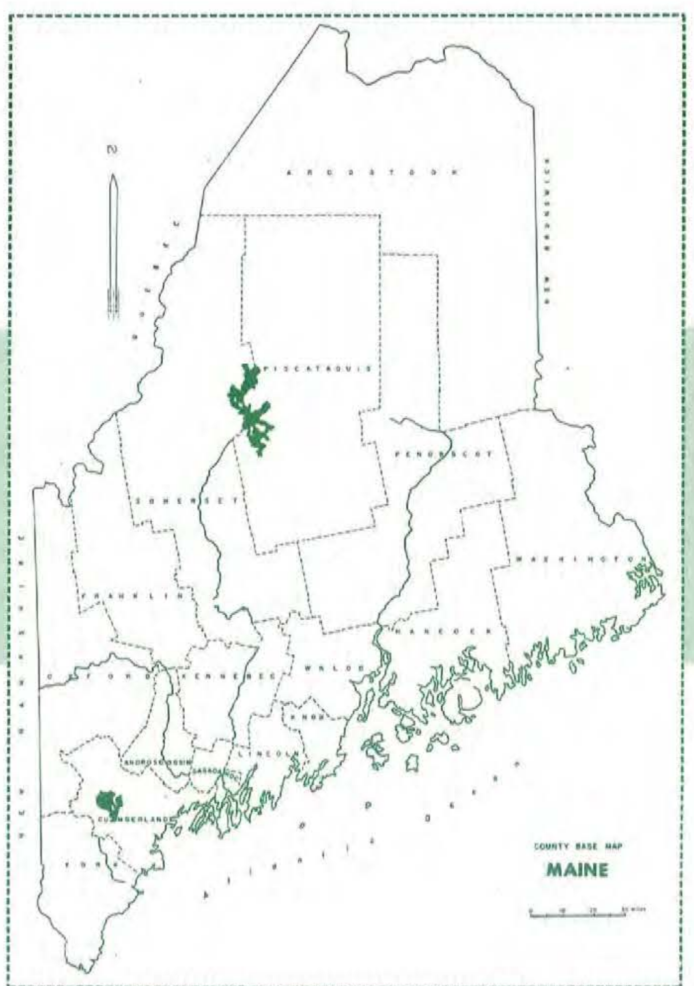
	1959	1950	% Change 1950-1959
	(in thousands)		
Total Non-Agricultural Wage and Salary Employment	272.2	253.1	+7.5
Total Manufacturing	103.4	108.4	−4.6
Durable Goods, total	28.3	30.9	−8.4
Lumber and wood products	16.6	20.2	−17.8
Metals and Machinery	11.7	10.7	+9.3
Nondurable Goods, total	75.1	77.5	−3.1
Food and kindred products	11.5	8.7	+32.2
Leather and leather products	23.6	19.2	+22.9
Textiles	14.6	26.8	−45.5
Paper and allied products	17.7	14.2	+24.6
Other nondurable goods	7.7	8.6	−10.5
Total Nonmanufacturing	168.8	144.7	+16.7
Mining and Construction	14.2	9.2	+54.3
Transportation – public utilities	18.1	18.8	−3.7
Wholesale and retail trade	53.5	48.8	+9.6
Finance, Insurance, Real Estate	8.6	6.6	+30.3
Services	28.5	24.1	+18.3
Government	45.9	37.2	+23.4

Within these comparisons there are other factors. The "economic trend indicators" maintained by the Maine Employment Security Commission, suggest hopeful conditions as measured in the progress of the past two years.

Compared with 1958 –

- Average monthly non-farm wage and salary employment increased 1.3 percent;
- Average unemployment dropped from 34,100 to 26,000 – 23.8 percent;
- The number of employers subject to the employment security law increased from 8,493 to 8,655 – 2 percent;
- The number of weeks of unemployment compensated for, under unemployment insurance decreased by 30.2 percent;
- The amount of benefit payments dropped from \$18.9 million to \$12.9 million – 31.7 percent;
- The average weekly earnings of production workers employed in manufacturing industries was at an all time high – \$69.09;
- Job openings listed with the 14 local employment offices increased 16.1 percent.

There are, nevertheless, words of caution. The needs for labor lagged as compared to those prior to 1958. Unemployment – in spite of marked improvements – continued to be comparatively high, and the insured employment rate was consistently among the highest in the country. Unless there is a marked expansion in the economy, unemployment may remain a serious problem.



HIGHLIGHTS

Where We Stand With Other States

Maine has been a prudent tax state in keeping with its conservative tax resources.

Until recently it supported the General Fund almost wholly from excise and property taxes; but with the adoption of the retail sales tax in 1951, Maine became a sales tax state.

Maine is the only New England state with no income tax – personal or corporate. It raises one-half of all state and local taxes from property – a practice common to all New England.

Sales taxes produce a larger ratio of total taxes than any other state in New England, but Maine relies on broad-based taxes to a lesser extent than any other New England state, except New Hampshire.

Maine collects about one-half of its taxes at the state level and one-half at the local level – as in Vermont, Rhode Island and Connecticut, and is on the low side in its ratio of broad-based taxes to total taxes – 12 percent.

Per capita tax collections were $153.90 in 1957 – 4th highest in New England and 29th in the United States. Per capita income was $1,663 – the lowest in New England and (almost identical with Vermont) 33rd in the United States.

State and local taxes equalled 9.3 percent of personal income – the highest in New England (except Vermont, 10.5 percent), and 19th among all the states.

As measured by tax sacrifice (1957), Maine ranked second to Vermont in New England, and 16th among all the states. The increased rate of the sales tax has probably increased this index, and Maine may at present be close to its 1953 rank of 11th among all the states.

On a comparative tax basis, Maine is doing about all that it can do on present yields and present bases.

PART III

WHERE WE STAND WITH OTHER STATES

The Tax Structure

Maine, since the first years of statehood has been a conservative tax state. It has avoided experimentation, retained, on the whole, a tight spending policy, and until recently (1950) supported its general fund almost wholly on excise and property taxes. In following this policy, it avoided large state aid programs, stayed away from non-property taxes, and has shown a respect for public debt. Its economy is largely a matter of income from long established industries, retail and wholesale trade, and federal government activities. Of its total state and local tax revenues, about 50 percent still comes from the property tax; 38 percent from sales taxes, and 12 percent from licenses and privilege taxes. While these ratios are based on 1957 figures (Table 25) – the latest available for comparative purposes – and do not reflect the additional 1 percent increase in the consumers sales tax in that year, the amount is too small within the total to make an important difference in the overall ratios, and changes in other states are not, moreover, available beyond 1957.

Maine's place in the New England pattern is briefly summarized in Table 25. These broad ratios indicate that there is nothing in the tax structure of Maine that departs substantially from the New England pattern, except the absence of an income tax. New Hampshire – the only New England state to refuse a broad base tax, is still relying heavily on property – 63 percent. Maine, having abandoned the state property tax for general fund purposes (1951), has reduced reliance on the property base to the Rhode Island and Connecticut level – 50 percent. Maine is the only New England state with no personal or corporate income tax, although New Hampshire taxes only the income from intangibles. Sales taxes (general and selective) account for a larger part of Maine's total state and local taxes (38 percent) than in any other New England state. Its general retail sales tax alone (1957) accounts for 12.2 percent of total taxes as compared to 11.6 percent in Rhode Island and 17.1 percent in Connecticut. In that fiscal year Maine's sales tax rate was 2 percent while in

TABLE 25

NEW ENGLAND STATES
State and Local Tax Revenues
(1957)

	Maine	New Hampshire	Vermont	Massachusetts	Rhode Island	Connecticut
Total taxes – State and Local (in millions)	$140.7	$87.1	$64.9	$1,017.8	$130.1	$462.0
				Percent Total		
Property taxes	50.0	62.8	45.0	58.0	50.4	50.0
Income taxes	—	1.8	17.6	13.9	6.0	6.4
Sales taxes	37.5	20.4	21.0	14.2	34.2	34.7
License and Privilege taxes	12.5	15.0	16.4	13.9	9.4	8.9
				Millions of dollars		
Unemployment compensation taxes	$8.5	$6.2	$3.0	$68.0	$16.7	$24.1
Profits of liquor monopoly	5.9	5.0	.368	—	—	—

Source: U. S. Bureau of the Census, *U. S. Census of Governments: 1957*, Vol. III, No. 5 (July 1959).

Rhode Island it was 3 percent, and in Connecticut 3 and 3½ percent. Maine's taxes from licenses and privileges occupy a middle position in the group; but this ratio varies because of different treatment of two large items, motor vehicle licenses and alcoholic beverage taxes.

Considering, however, the use of broad based taxes alone within the New England states, their ratio to total taxes (state and local) are on the low side when compared to the rest of the country. New Hampshire is one of five states in which broad based taxes (income, retail sales, and gross receipts) are less than 10 percent of total state and local collections. Its ratio is 1.77 percent, due to its tax on the income from intangibles. The Maine and Massachusetts ratios are 12 percent and 14 percent respectively, based on retail sales in Maine and personal and corporate income taxes in Massachusetts. Rhode Island (corporate income and retail sales) has a ratio of 17 percent of broad based taxes to total taxes; Vermont (personal and corporate income), the same ratio as Rhode Island; and Connecticut (corporate income and retail sales), the highest ratio in New England, 24 percent. There are, however, 25 states that depend upon broad based taxes in excess of 20 percent of total state and local taxes, and 10 of these are in excess of 30 percent. The highest ratio is in Washington state – 39 percent. Generally, these high ratio states have a weak property tax base; use three of the broad based taxes – personal income, corporate income and retail sales – or depend heavily on income, sales or gross receipts for their major tax bases.

Comparative Tax Impacts

There has long been an interest in comparative tax estimates, that is to say, how does one state compare to another state in tax burden, tax impact and tax structure? Such estimates have commonly been based on the amount of taxes per capita – total population divided by total taxes; or taxes as a percent of income – total taxes as a ratio of total income paid to individuals. The basis for these measures are, therefore, population, personal income and tax collections. These data are prepared by the federal government with all the care that such a variety of shifting magnitudes will permit; and while they may have a doubtful value as absolute figures, when the same statistical methods are applied to all states, there is a consistency in results that justifies their use – although a cautious use – for comparative purposes.

Per capita estimates are the most commonly used, possibly because these are easily understood; and the casual reader readily accepts the inference that the higher the taxes are per person, the greater the tax burden per person. Such a conclusion, however, contains essential weaknesses. Every person – man, woman and child – counts for one, regardless of age, condition or position; it makes no allowance for sparsity or density of population – 10,000 people in 10 square miles require different services and hence a different tax liability than 10,000 people in one square mile; and the ability of the population to pay taxes in terms of income produced does not enter into the estimate. Comparative figures are available, moreover, for only 1953 and 1957; and changes in rank are a composite of changes throughout the country. These vary not only with tax collections, but with population changes. Theoretically, a state with a static population and no increase in taxes, would maintain the same relation to a state that had an increase in population and an increase in taxes. In either case, two important factors are missing: tax impact (where the tax burden falls), and tax sacrifice (how hard it is for the taxpayer to pay).

Nevertheless, here are some selected per capita comparisons that indicate, at least, over-all trends in the tax pattern:

- In 1953, per capita tax collections ranged from \$185 in New York to a low of \$74 in Alabama – they averaged \$132.
- In 1957, they ranged from \$237 in California to a low of \$101 in Arkansas – they averaged \$169.

In 1957 Maine had a per capita income (Table 26) of $1,663. This was the lowest in New England but almost identical with Vermont. Per capita tax collections in Maine were $154 but in Vermont they were $175. These figures as compared to Connecticut (which ranked first in both New England and the United States in per capita income) were $2,821 for per capita income and $206 for tax collections. In Massachusetts the per capita income was $2,335 with a rank of second in New England and eighth in the United States; and per capita tax collections of $209, almost identical with Connecticut. These are very large differences, and on a per capita basis, Maine, New Hampshire, Vermont and Rhode Island, are not comparable to their wealthy neighbors — Massachusetts and Connecticut.

TABLE 26

NEW ENGLAND STATES
Summary: Comparable Tax Sacrifice (1957)

	Per Capita Income			Per Capita Tax Collections			Taxes as a % of Personal Income			Measure of Tax Sacrifice		
		Rank			Rank			Rank			Rank	
	Amount	N.E.	U.S.	Amount	N.E.	U.S.	Per-cent	N.E.	U.S.	Index	N.E.	U.S.
Maine	$1,663	6	33	$153.90	4	29	9.26	2	19	5.57	2	16
N. H.	1,862	4	22	152.46	5	31	8.19	4	32	4.40	3	30
Vermont	1,665	5	32	174.55	3	16	10.48	1	4	6.30	1	8
Mass.	2,335	2	8	208.52	1	4	8.93	3	23	3.82	4	36
R. I.	1,990	3	17	150.95	6	33	7.59	5	39	3.81	5	37
Conn.	2,821	1	1	206.32	2	5	7.32	6	42	2.59	6	47

Source: U. S. Bureau of the Census, *State and Local Government Finances in 1957*, Advance Release No. 8 (Feb. 1959), U. S. Dept. of Commerce, Office of Business Economics, *Survey of Current Business*, Vol. 38, No. 8 (August 1958), p. 13.

It is also interesting to note the per capita distribution of taxes as between state and local governments. Table 27 indicates that Maine has an even division of support — $75 per capita for state purposes and $79 per capita for local purposes. Within the New England states this ratio is fairly constant for Vermont, Rhode Island and Connecticut. These states each have broad based taxes at the state level, while New Hampshire with no broad based tax shows heavy reliance upon local revenues — that is, the property tax. Massachusetts also reflects high property taxes and the results of a flat rate income tax.

Within the middle Atlantic states, New Jersey stands out as a high property tax state — perhaps the highest in the country — and the lowest per capita cost for state requirements. Delaware is at the opposite extreme — heavy income taxes, and a minimized property tax. Maryland and Pennsylvania follow the New England pattern, and New York is in the Massachusetts class. These are matters of tax emphasis, and differ largely in the extent to which property is relied upon for the support of public services.

A second measure of comparative tax impact is to consider taxes as a percent of personal income, or the proportion of his annual income that an individual must pay to support the public services. While this is probably a better measure than per capita taxes, it likewise has its limitations. As a general pattern, individuals in the higher income states contribute a smaller portion of their income in taxes; even though taxes per capita in such states are higher. Such figures, however, are based upon averages and averages of averages, and do not consider how the income is distributed throughout the state. A state with large portions of its individual income below $10,000 will show quite a different tax impact on individual taxpayers than a state with substantial portions of its income over $10,000, although the per capita income may be the same. Nevertheless, when the same statistical methods are applied to all states, and the different distribution patterns somewhat averaged out, per capita income payments are at least useful points of departure for comparative tax studies.

State and local taxes as a percent of personal income ranged from a high of 11.6 percent in North Dakota in 1957 to a low of 4.9 percent in Delaware. The average was 8.4 percent, and Maine at 9.3 percent ranked 19th among all the states (Table 26). In that year, only Vermont among the New England states, taxed away a larger percentage of the income of its citizens – almost 10.5 percent. Vermont was, indeed, fourth highest in the country as a whole. By this measure, Massachusetts, where taxes were less than 9 percent of income, ranked 23rd, or almost at the median point for the United States. The other New England states were well below average in the percent of income taken in taxes. New Hampshire at 8.2 percent ranked 32nd, Rhode Island at 7.6 percent ranked 39th, and Connecticut at 7.3 percent ranked 42nd.

While difference in tax burdens among the states are usually measured by per capita amounts or by percentages of income, these measures, as has been said, are not completely satisfactory. Per capita taxes indicate the amount of contribution assessed to the average person in a state without reference to his ability to pay. Taxes as a percent of income give no indication of the amount of effort needed to produce the income or to make a portion of it available for taxes. For example, in a community where ten people can produce the same amount as it takes fifteen people to produce in another community, giving up ten percent of production for public services is less of an individual burden in the smaller community.

In Maine (1957), 9.3 percent of the personal income of the state went into state and local taxes. In California, 9.4 percent of personal income was

TABLE 27

STATE AND LOCAL TAXES PER CAPITA
NEW ENGLAND AND MID-ATLANTIC STATES
(1957)

	State Taxes Per Capita			Local Taxes Per Capita			State and Local Taxes Per Capita		
		Rank			Rank			Rank	
State	Amount	Group	U.S.	Amount	Group	U.S.	Amount	Group	U.S.
Maine	$ 74.83	4	33	$ 79.07	5	23	$153.90	4	29
New Hampshire	58.16	6	46	94.30	3	11	152.46	5	31
Vermont	92.86	2	13	81.68	4	20	174.54	3	16
Massachusetts	85.00	3	23	123.52	1	3	208.52	1	4
Rhode Island	72.58	5	38	78.37	6	24	150.95	6	33
Connecticut	101.07	1	10	105.24	2	7	206.31	2	6
New England Total	85.35			107.88			193.23		
New York	90.66	2	17	142.40	1	1	233.06	1	2
Pennsylvania	89.22	3	19	71.29	4	29	160.51	4	25
New Jersey	49.89	5	48	123.99	2	2	173.88	2	17
Delaware	102.05	1	9	32.09	5	44	134.14	5	37
Maryland	86.58	4	22	71.45	3	28	158.03	3	26
Mid-Atlantic Total	83.64			110.56			194.20		
Northeastern Total	84.01			109.98			193.99		
U. S. Total	$ 85.72			$ 83.36			$169.08		

Sources: Taxes: U. S. Bureau of the Census, *State and Local Government Finances in 1957*, Advance Release No. 8 (Feb. 1959). Population: *Ibid., Current Population Reports*, Series P-25, No. 168 (Dec. 9, 1957), p. 3.

needed for state and local taxes. In both states, almost the same part of personal income was paid for state and local government purposes. In California, however, the per capita personal income was $2,523 as opposed to $1,663 (Table 26) in Maine, or fully one-half greater. The Californian will make less of a sacrifice to give up 9.4 percent of his income for taxes, than will the Maine resident to give up his 9.3 percent.

To measure the degree of sacrifice in each state, taxes as a percent of income were divided by per capita personal income and the decimal point moved to give a readable index number. The assumption is that in two states with identical taxes per dollar of income, the resident of the state where per capita personal income is greater, will make the lesser sacrifice in meeting his tax liabilities. By this measure, Maine's tax sacrifice was 5.57 in 1957 and it ranked 16th among the 48 states (Table 26). California's index of tax sacrifice was 3.7 and it ranked 38th. Whereas (1957), California ranked 1st and Maine ranked 29th in per capita taxes, and California ranked 17th and Maine 19th in the percent of personal income taken by taxes, the degree of tax sacrifice in Maine was 50 percent greater than in California.

The highest sacrifice of income for taxes was required in Mississippi (11.7), and the lowest in Delaware (1.8). The average of all states in 1957 was 4.12, indicating that tax sacrifice in Maine was 35 percent above the average. By this measure, Vermont ranks highest among the New England States and eighth throughout the country. Connecticut ranks lowest in New England and 47th among the states. Massachusetts and Rhode Island have equivalent tax burdens and rank 36th and 37th respectively in the United States. New Hampshire, which ranks below Maine in New England, ranks 30th among all the states.

Since comparable figures are available only for the years 1953 and 1957, the measure of tax sacrifice was computed for all of the states for those two years only. In both 1953 and 1957, Vermont ranked eighth, Rhode Island ranked 37th, and Connecticut ranked 47th. Between those two years, Maine dropped five places in rank, from 11th to 16th, while New Hampshire and Massachusetts each dropped six positions, the former going from 24th to 30th and the latter from 30th to 36th. In 1953, the two states that stood between Maine and Vermont, were Idaho (10th) and Alabama (9th). During these two years, the rise in incomes was greater than the rise in tax collections in Maine, New Hampshire, and Massachusetts. Preliminary income data for 1958 indicate that Maine's increase in per capita income over 1957 is about average for the country, but the same is not true in the other New England states. It should also be remembered that the increase in the sales tax rate from 2 percent to 3 percent was effective on July 1, 1957 and therefore additional collections were reflected for the first time in 1958. It is probable that Maine has climbed from 16th place toward 11th place, the position it held in 1953.

- These estimates indicate that Maine is pushing its tax bases. Its tax sacrifice in New England is exceeded only by Vermont and it probably ranks close to the top quarter as among all the states.