

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

BACKGROUND ON SCHOOL SUBSIDIES TO CITIES AND TOWNS

By Governor Kenneth M. Curtis

Purpose of State Subsidy Program

My Budget Recommendations included the full commitment made by previous State Legislatures for general purpose educational aid to cities and towns. The amount recommended was based on the estimates of the State Department of Education. Although the State's commitment was 100% honored in the budget recommendations, a certain amount of concern and confusion still exists concerning school subsidies. This has been reflected in legislative debates and hearings, statements by school officials, editorials in the press, and statements attributed to certain municipal and public associations. I wish to offer some background material to clarify this state program.

Although this background material is largely an explanation of financing school subsidies, we should never forget that education is for the child. The program of state subsidy is undertaken for the benefit of the child and not primarily to reduce the local property tax.

Financing of School Subsidies

To locate all subsidy recommendations in the budget document one must examine all three parts of the budget document - Part I or Current Services; Part II or the Supplemental; and the Capital Bonding Recommendation. These figures summarize and compare the financing of the 1965-67 biennium with the 1967-69 biennium.

1965-67 Biennium Actual Expenditures

All paid from current services	\$51,993,823
--------------------------------	--------------

1967-69 Budget Recommendations

Part I	\$46,637,294
--------	--------------

Part II	15,200,284
---------	------------

Bond	
------	--

(1) General	14,000,000	4-5
-------------	------------	-----

(2) Vocational	3,000,000	- 5,000,000
----------------	-----------	-------------

Total	\$78,837,578
-------	--------------

Increase 1967-69 over 1965-67	\$26,843,755
-------------------------------	--------------

Per cent increase over last biennium	51%
--------------------------------------	-----

Comparison without construction subsidy

1965-67 Biennium	\$48,740,189
------------------	--------------

1967-69 Biennium	61,837,578
------------------	------------

Increase 1967-69 over 1965-67	13,097,389
-------------------------------	------------

Per cent increase 1967-69 over 1965-67	26.8%
--	-------

Construction Subsidy

To provide significant progress for the many state programs without requesting a major new tax it was necessary to recommend bonding of the \$14 million in general purpose aid for school construction, as well as bonding the \$3 million of aid for the construction of regional vocational high schools. The State Department of Education now estimates that general purpose construction aid for the next biennium should be revised upward to

\$17.5 million instead of \$14 million. As revised, this will require two bond issues.

1. A general purpose bond revised to include:

\$14 million to finance new construction with lump sums paid to defray the State's share.

\$3.5 million to retire annual payments of bonds financed by the old installment method of paying cities and towns annually during the life of the bonds.

\$17.5 million total - General Purpose Construction Bonds.

2. \$3 million Regional Vocational High School construction bond.

Total: \$20.5 million for school construction subsidies needed during the 1967-69 biennium.

If we fully honor this commitment, as I think we must, this would increase the total of school subsidies for the next biennium to \$82,337,578. This amounts to an increase of 58% over the actual school subsidies paid during the current biennium.

Clarification of Bonding for Construction Aid

The people of Maine and the members of the State Legislature should realize that the full \$20.5 million for school construction should be and can be bonded without jeopardizing the aid. A few weeks ago some concern was expressed that bonds authorized in the November referendum could not be sold rapidly enough to meet the State's December, 1967, payments to towns. Based on the old type installment payment plan the State is obligated to pay \$2 million in December, 1967.

The Attorney General has ruled recently that the State can temporarily borrow the \$2 million needed and payable in December, 1967, on the strength of the bond passage. As Governor, I have also given my assurance to calling a special session of the Legislature in the most unlikely event that the bond issue for construction aid to cities and towns is rejected.

In summary there is no need for including any of the school subsidy for construction in our current services budget. To do so would unbalance the budget. We should all be aware that to finance construction items out of current service revenue would require taxes that far exceed those proposed in the budget. I oppose such an increase. As much as possible construction items should be financed through the sale of bonds.

Revising the Subsidy Formula

Much of the dramatic increase in school subsidies this biennium is earmarked for school construction aid which resulted from the change in the law in the last special session. However, the general purpose subsidy for operating cost exclusive of construction is up \$13.1 million representing a 26.8% increase over the actual expenditures of the present biennium. We are told that this is not enough to assure equivalent education in some of our communities.

The state aid formula requires frequent revision in order to maintain or increase the State's proportion of local school costs. In the past the per pupil allowance has been changed each biennium to reflect increased local costs. It is based on a per pupil minimum below which each school system must make a uniform effort based on state valuation. The State then makes up the difference between a 20 mill effort and the foundation program in terms of per

pupil expenditure. The State Board and Department of Education and the Legislative Research Committee consider it desirable to increase the foundation from the present \$255 to \$320 for the second year of the biennium. This would result in an additional \$10.5 million in school subsidy which when added to the foundation program subsidies already described above would total \$72,337,578 or an increase over the present biennium of \$23,597,389 or 48.4%.

Unless the construction subsidy is bonded the entire total of \$92,837,578 would have to be paid out of current revenues. As this would represent a \$41 million or 80% increase over the current biennium, it would necessitate a major tax or taxes. In view of the much publicized need for additional money to maintain state institutions and programs I cannot justify recommending this additional \$10.5 million. It is my understanding that members of the Legislature are considering more modest increases in the foundation program. I will be interested in the results of their study. I have recommended that the 103rd Legislature raise the per pupil level to a higher figure to be budgeted for an implement by the subsequent 104th Legislature.

Carrying out a \$320 foundation program for both years of the 1969-71 biennium will mean an increase of over \$20 million in state subsidy. I understand that the State Board of Education believes that we will need to move soon to \$375 per student to maintain the State's proportional share. We will need to re-examine our tax structure or else experience remarkable increases in existing tax sources before the State can fulfill such an obligation to return money to the towns.