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'Maine's School Finance System: Is It Equitable?'

A Report Prepared for the Maine Legislature
by
The Legislators' Education Action Project
of the
National Conference of State Legislatures

Augusta, Maine
October 28, 1977

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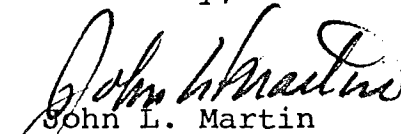
STATE OF MAINE

Inter-Departmental Memorandum Date November 7, 1977

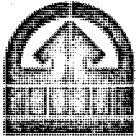
To Superintendents of Schools, Town Managers and elected municipal officials
From Rep. John L. Martin, Chairman Dept. Legislative Council,
Maine State Legislature
Subject "Maine's School Finance System: Is it Equitable?"

The enclosed report is provided to you so that this important information will be available to you and the citizens in your community. We hope you will find it helpful. Specific information relating to Uniform Property Tax revenues raised and school expenditures in each legislative district have been provided to your local state Representative(s) and Senator. Please contact them for this information.

Sincerely,



John L. Martin
Speaker of the House of Representatives



**National
Conference
of State
Legislatures**

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President
Fred E. Anderson
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Executive Director
Earl S. Mackey

November 3, 1977

Dear Maine Legislator:

Please find enclosed the report of the Legislators' Education Action Project of the National Conference of State Legislatures which evaluates the fiscal equity of Maine's basic school finance program. This report provides a wealth of information on the changing condition of Maine's school finance system and also details corresponding changes in other related policy areas, particularly in the field of nonschool local finances and local property assessment practices. Of particular interest is Part IV of this report which provides all this information for your particular legislative district.

This report was prepared by NCSL for the Maine Legislative Council and the Joint Education Committees for their use in evaluating the successes and shortcomings of Maine's recent school finance reform. Given the current public controversy about the relative fiscal equity of the Maine school finance law, we have decided to provide this report to the entire Maine Legislature. We hope that it proves helpful to you as you make your own personal assessment of the Maine school finance reform.

This report was made possible through contract funding provided to NCSL's Legislators' Education Action Project by the Ford Foundation, and the National Institute of Education.

If you have any further questions regarding this report, please do not hesitate to call Bob Clarke of the Office of Legislative Assistants (289-2486) or Dr. John Callahan or Dr. William Wilken of the NCSL's Legislators' Education Action Project. (202/624-5425).

Introduction

Nearly half the states of the Union have enacted new state school finance programs since the Serrano v. Priest decision in California in 1971. Realizing the need to provide greater educational opportunities for children in property-poor school districts as well as the need to lessen dependence of the local school property tax, states have embarked on a variety of new school aid programs to create more school finance equity for the student and the school property taxpayer.

The high water mark of state school finance reform occurred in 1972-73 when 12 states adopted new finance reforms. Needless to say, school funding revisions involve a continuous process of study, legislative action, and further study to determine whether the original intent of school finance revision has been met in reform legislation. This particular report, therefore, is our attempt to analyze the strengths and weaknesses and the accomplishments and failures of Maine's school finance reform law adopted in 1973.

The report is divided into four major parts. The first part provides a relatively simple description of the Maine school finance program. It explains the basic elements in the law and the overall fiscal rationale behind the law. It also is intended to give the reader an idea of how the Maine law coincides or differs from recent school finance laws adopted in other states.

The second part of the report examines the statewide fiscal impact of the new finance law -- its effect on school expenditures, school and nonschool tax rates, state outlays for education aid, and the relative equalization of school spending -- in comparison with other New England states and selected small rural states similar to Maine. This section is intended to help the reader compare the statewide impact of Maine's finance reform with those adopted in other similar states.

The third and main section of this report is intended to provide the legislator with answers to the frequently asked questions about the effectiveness of Maine's school finance law. The key questions that this section addresses include the following:

- Has the law promoted the equalization of spending patterns among Maine school districts?
- Has the law worked to raise or lower Maine school property taxes?
- Has the law resulted in a major increase in school spending?
- What parts of local school budgets have been the most affected by finance changes? Have teacher salary raises been the prime fiscal impact of the finance law?
- What communities have benefitted most from the law? Which communities the least?
- How has the property valuation process which is central to the school subsidy system affected the level of state aid flowing to different Maine communities?
- Is the "pay-in" provision of the Maine school finance plan equitable?
- How have non-school taxes been affected by the finance law?

Finally, the last section of the report provides a wide variety of information on school finance, non-educational finance, property assessment, and tax relief trends for each House and Senate District in the State of Maine. The effort in this last section is to provide each Maine legislator with the necessary facts and figures that he or she requires to evaluate how the Maine school finance law has affected the condition of the local finance system in his or her local constituency.

A short note about the format of this report is in order. Rather than provide a lengthy and overly detailed narrative report, we have purposely structured this report in a concise format for the legislator and eventually the general public. At the beginning of each section, there is a brief summary of the contents of the ensuing chapter. This is followed by a format which provides the legislator with the detailed findings that support the basic findings of each part of the report. We have also attached as an aid to the reader a glossary of terms, and a description of data sources used in preparing this report.

While many Maine state officials have aided us in supplying the background information for this report, none have influenced us in the interpretation of the data. The report is intended as a dispassionate guide to many of the policy issues that the State Legislature has grappled with in enacting the finance reform and reviewing its progress since 1973. All too often there is more heat than light in school finance debates; we hope that this report provides more of the latter so that the Maine Legislature can continue to deliberately evaluate the operation of its present school finance program.

We would like to acknowledge at this time the assistance of Mr. Robert Clarke of the Office of Legislative Assistants who assisted us throughout the project in directing us to the data sources required for analysis and who most accommodatingly reviewed the interim work of this report. We also would like to thank Dale Elliot and Lucille Johnson of the State Department of Education for helping us solve the vagaries of Maine school finance data. Norm Ledew of the Property Tax Division of the Bureau of Taxation along with Ray Halperin, Bob Meskers, and Les Dickey were most helpful in assisting this project by supplying us with the necessary quantitative data needed for this analysis. Discussions with Stephen J. Murray and with James Norris, both also of the Property Tax Division, were of substantial assistance to the project staff. Finally, we wish to thank Representative Arthur Lynch and Senator Bennett Katz who along with Speaker John Martin, representing the Maine Legislative Council, initially requested this report and gave us free rein to do our analysis in an unhindered fashion.

Part I

Maine's School Finance Reform: Its Characteristics and Rationale

Maine's new school finance reform, enacted in 1973, is typical of the many school funding revisions enacted around the country as a result of a variety of court rulings that have required states to build more fiscal equity into their basic school aid policies.

The fundamental rationale of Maine's school finance law guarantees funding of the basic cost of education throughout the state by means of an equitable and understandable sharing of costs between state and local government. This sort of sharing enables local governments to fund 50 percent of the share of basic elementary and secondary education costs through the imposition of a uniform property tax, and the state to fund the remaining half of all such education costs through revenues raised from broad-based nonproperty taxes. The present system of funding, therefore, assures continuing local involvement in educational financing and continued local interest in seeing to it that educational monies are spent efficiently in providing quality education at a reasonable cost. At the same time, the state, due to the equalized nature of the school funding system, is able to provide greater amounts of school aid to districts that have low property wealth and that would be unable to provide satisfactory levels of basic educational services without exorbitant school property tax effort.

Maine's school finance reform law is characterized by considerable fiscal prudence in its approach to fiscal equalization. While the law substantially increases the amount of money that the state is required to raise for school aid, the law is also directed towards lowering tax then stabilizing use of the property tax for school purposes. The various provisions of Maine's school finance reform that have limited the amount of subsidy going to low spending or high-spending units and the fiscal controls that the state has intermittently placed on increases in overall school spending have meant that a primary effect of Maine's new finance law has been to keep a reasonable lid on school spending in order to prevent major increases in the state and local revenues required for fiscal equalization. In this manner, Maine's school finance reform has followed the experience of other states where the first priority in reform was to reduce overall school reliance on the local property tax and to reduce extraordinary school property tax rates in low wealth districts. A major levelling up of school expenditures, with the

attendant strain on state and local revenue sources, has not been the major purpose of the state's finance reform.

Maine's school finance law has not been inflexible in its operation. It has been amended in the past several years to meet many of the problems that naturally occur with the enactment of any new school finance reform.

After enacting a new finance reform, most states are under pressure to amend their new funding laws to meet problems not originally anticipated in the law. After enactment of Maine's new school finance law in 1973, the State Legislature took a series of actions in 1975, 1976 and 1977 that allowed the new school finance program to weather the fiscal problems that could have been the undoing of the new reform program.

One primary effect of recent revisions in the Maine law has been easing the impact of the law on communities with low school tax rates. The original law, for example, required that no community had to raise its school tax effort by more than 2 1/2 mills during the first year of operation of the law. And in 1975 amendments to the law, the Legislature appropriated about \$2.6 million to ease the tax increase problems of pay-in communities in complying with the new law. While the Legislature has always reaffirmed its commitment to the uniform tax provisions of the law, it has made substantial efforts to ease the transition of pay-in communities to the new funding system.

The law has also been sensitive to the demands of local units to spend additional funds for local education. While Maine's fiscal controls on school spending and taxing are stricter than those employed in many other states, the Legislature has not been unmindful of the need to amend its basic school aid program to meet the rising costs of schooling that have affected the whole country in the last few years. They have met these pressures in the following ways:

- The law requires no levelling down of school expenditures. Localities can levy school taxes sufficient to maintain expenditures higher than the basic cost of elementary and secondary operations. School units may also petition the state Board of Education to make additional educational expenditures in order to avoid serious educational hardship in the unit.

- The law also gives all local units the authority to levy additional millage above the uniform property tax in order to expand their educational programs. This additional millage has been utilized by many but not all school districts in the state to add to their educational programs. Moreover, for the 1976-77 school year, local school units were permitted to raise additional local funds without state participation in order to meet the cost pressures imposed on school districts by inflation, rising energy costs, and declining enrollments.
- The law also provides special, limited subsidies to school units that have major increases or decreases in enrollment and to districts that, because of their geographic isolation, require additional subsidies from the state.

Finally, the state has also moved where necessary to these school costs that can be adequately controlled by the state. A 1975 amendment to the Maine reform prohibited the state from funding school construction costs on an open-ended basis. This was necessary in order to keep rising construction costs from placing fiscal pressure on the state's basic aid program. Every year the State Legislature now appropriates a substantial sum of money for school construction needs. Projects are submitted by local districts and funded on approval by the state Board of Education. The continuing need to control school construction expenditures also led the state to place a 1976-77 moratorium on all but emergency school construction projects.

In the same vein, when it became apparent that rising costs of special and vocational education threatened the funding stability of the basic subsidy program, the state shifted 10 percent of these costs, previously subsidized at 100 percent of cost, back to the local school units. This was done to create some local constraint in expanding special and vocational educational programs.

In summary, the various amendments made to the new school finance program since it was enacted in 1973 have permitted it to be responsive to rising educational costs. Yet, revisions in the law also have forced both state and local governments to be deliberate in expanding the costs of new or educational undertakings.

Maine's school finance law is similar in its construction and operation to other equalizing state school finance laws adopted between 1971 and 1974.

In its basic form, Maine's law is not very different from the school finance reforms adopted by Utah and Montana in 1973. In all three states, a uniform property tax is imposed for the support of basic school operation; there is a recapture provision in the imposition of a uniform property tax, and, local districts can levy additional school tax millage equalized by the state.

Maine's law also appears similar to those adopted in Florida, New Mexico, and Utah which consolidate most of the state's special purpose aid programs in one basic subsidy grant disbursed to local units inversely to their local wealth.

Also, Maine's law is similar to those adopted in Kansas, Michigan, Montana, and Utah in that it does not provide unequalizing school aid to local school units through hold-harmless and minimum flat grants. (see Table I-1 and I-2)

When compared with 14 other states that adopted their finance reforms between 1971 and 1974, the detailed provisions of Maine's new school finance reform are also very similar to those employed in other states.

The wealth measure employed in Maine's law is equalized property values, as it is in all but 3 other states that use assessed value or a combination of equalized property values and personal income to measure local fiscal capacity.

In the matter of fiscal controls, Maine does impose cost controls on increases in school spending. These controls are similar but not identical to those employed in Arizona, California, Kansas, and Wisconsin.

Table I-1

Basic Features of Recent State School Finance Reforms

<u>State</u>	<u>Type of School Finance Plan</u>	<u>Special Purpose Aid</u>	<u>Non-Equalized Aid</u>	
			<u>Hold Harmless</u>	<u>Minimum Aid</u>
Maine	Foundation/Leeway	In Basic Grant	No	No
Arizona	Foundation	Categorical	Yes	Yes
California	Power Equalization	Categorical	No	No
Colorado	Power Equalization	Categorical	Yes	Yes
Florida	Foundation	In Basic Grant	Yes	Yes
Illinois	Power Equalization <u>a/</u>	Categorical	Yes	Yes
Iowa	Foundation	Categorical	Yes	No
Kansas	Power Equalization	Categorical	No	No
Michigan	Power Equalization	Categorical	No	No
Minnesota	Foundation	Categorical	Yes	No
Montana	Foundation/Leeway	Categorical	No	No
New Mexico	Foundation	In Basic Grant	Yes	No
North Dakota	Foundation	Categorical	Yes	No
Utah	Foundation/Leeway	In Basic Grant	No	No
Wisconsin	Power Equalization	Categorical	Yes	No

a/ Local school districts may choose their aid under the Foundation or a Power Equalization Plan.

Source: Basic information derived from U.S. Office of Education, Public School Finance Programs, 1975-1976 (Washington, D.C.: U.S.O.E., 1976)

Table I-2

Detailed Provisions of Recent State School Finance Reforms

<u>State</u>	<u>Wealth Measure</u>	<u>Tax or Cost Controls</u>	<u>Catch-Up Provisions</u>	<u>Referenda Override</u>	<u>Small School Subsidy</u>	<u>Recapture</u>	<u>Impact Aid Deduction</u>	<u>Circuit-Breaker</u>
Maine	Property	Yes <u>a/</u>	Yes	No	Yes	Yes	Yes	Yes
Arizona	Property	Yes	No	No	No	No	No	Yes
California	Property	Yes	No	Yes	Yes	Yes	No	Yes
Colorado	Property	Yes	Yes	Yes	Yes	No	No	Yes
Florida	Property	Yes	No	Yes	No	No	No	No
Illinois	Property	Yes	No	Yes	No	No	No	Yes
Iowa	Property	Yes	No	No <u>b/</u>	No	No	No	Yes
Kansas	Property/ Income	Yes	No	No	Yes	No	Yes	Yes
Michigan	Property	No	No	n.a.	No	No	No	Yes
Minnesota	Property	Yes	Yes	Yes	No	No	No	Yes
Montana	Property	Yes	No	Yes	Yes	Yes	No	No
New Mexico	Property	Yes	No	No	Yes	No	Yes	Yes
North Dakota	Property	Yes	No	Yes	Yes	No	Yes	Yes
Utah	Property	Yes	No	No	Yes	Yes	No	No
Wisconsin	Property	Yes	No	No	No	No <u>c/</u>	No	Yes

a/ Cost controls removed for 1976-77 school year.

b/ Local districts may hold a referenda to raise additional revenues through a local income tax.

c/ Wisconsin's recapture clause was ruled unconstitutional in 1976.

Source: See Table I-2.

Most other states having controls set a maximum school tax rate which local school units can only waive on the basis of a local referenda. Maine like Minnesota also limits the increase in expenditures, reimbursable for aid, by low-spending units. Yet, in this matter, Maine's law may be more stringent than any other state in the Union since districts spending below the base expenditure level may face a difficult time of ever catching up to the increases in base level expenditure.

Maine, unlike Michigan, Minnesota, Florida, and Illinois does not alter its basic school aid program to recognize the special educational costs incurred in large cities. However, like many similar rural states, Maine does provide additional subsidies to isolated rural school units. Yet, its overall system of subsidy for rural units is far less generous than those employed in Colorado, Kansas, Montana, New Mexico, North Dakota, and Utah.

Contrary to popular opinion, Maine's recapture provision is similar in format and operation to those adopted in three other states -- California, Montana and Utah. Utah's recapture clause has been in effect since 1955 and during the first 23 years of its operation, the recapture clause raised about \$12.8 million in revenue remitted to the state. Overcollection revenues in Utah for 1976-77 and 1977-78 are estimated at about \$2 million per year. Montana's recapture has been in operation since 1974 and in the first four years of its operation about \$8.5 million has been remitted to the state. When the state's uniform property tax was first litigated in 1973, it was declared constitutional. Since that time there has been little opposition to the law in the state.

Finally, California, as part of its recent 1977 school finance reform law, has enacted a two-tier recapture. The first part of the law provides a guaranteed tax yield program which requires that districts with extraordinary property values remit up to 20 percent of their overcollection revenues to the state between 1979 and 1982. All districts with extraordinary property values will also have to remit all overcollection revenues to the state when they pass a voter override to provide more school spending. The state estimates that it will collect about \$84.6 million from the recapture provisions of its law between 1979 and 1982.

Maine like 11 other comparable states has enacted a circuit-breaker program to insure that the elderly do not have to pay burdensome property taxes. Maine's program of property tax relief in this regard is not as extensive as programs in Michigan, Minnesota, and Wisconsin, but it does provide significant tax relief for the elderly that are eligible for the program.

There are different approaches to school finance equalization other than Maine's current finance program, but the alternative approaches used in other states may not be preferable in general to Maine's new finance program. Yet, the Maine Legislature, no matter what the outcome of the upcoming referendum on December 5th, ought to examine its law once again to determine whether selected features of other state laws might be incorporated in its basic funding programs.

The school funding programs of other states that have undertaken finance reform often differ in detail from Maine's 1973 finance reform program. Yet the intent of almost all of these new state laws is to reduce school reliance on the property tax, redirect state school aid to low wealth jurisdictions, and to provide greater levels of subsidy for special cost programs. Additionally, most states do make an effort to control rising local school costs through spending or taxing limitations as well as to provide additional subsidies to selected urban and rural areas that would not always benefit from new reform laws since their special funding problems are not recognized in new finance laws. In these general areas Maine's approach to finance equalization has paralleled other state laws.

At the same time there is almost an infinite variety of detailed ways in which the state can equalize its school funding policies. Several states for example have redefined the fiscal capacity of local school districts to include personal as a measure of local fiscal capacity. Others have taken special pains to develop elaborate special subsidies for urban and rural school units. Still others are continuing to debate whether they should fund their special categorical program outside of their basic grant program and at a much higher level than basic operating expenses. Finally, more and more states are attempting to bring about closer coordination of federal and state education aid funds that are flowing to local school units. All these specific measures and policies should be noted by the Maine Legislature so that it can more effectively deal with any future revisions in its 1973 school finance reform.

Part II

Maine's School Finance Law: An Interstate Perspective

A complete understanding of the fiscal changes wrought by the 1973 Maine school finance law can be gained by comparing the fiscal effects of Maine's reform law with that of other New England states and with other similar small rural states in the rest of the country.

Our analysis of Maine's school finance reform leads us to the following conclusions about the fiscal impact of Maine's law.

School expenditures in Maine have not risen any faster than the national average as a result of reform. Likewise, teacher salaries in Maine have not increased at a rate greater than the national average. Indeed, only local nonschool expenditures have increased at a rate greater than the national average.

As noted earlier, the Maine school finance law has been concerned primarily with school tax rate equalization rather than with increasing local school spending. This tax relief emphasis in the law apparently has taken hold, since the state's level of current school expenditures is still about 15 percent below the national average in 1976.

Moreover, even though current expenditures per pupil have increased somewhat as a result of reform, average classroom teacher salaries in Maine actually declined to about 81 percent of the national average. Rising costs for the non-teacher salary part of school budgets in Maine have meant that teachers have not gained proportionately greater benefits as a result of finance reform.

In sharp contrast, nonschool outlays of local governments in Maine have risen materially in the last several years. Between 1971 and 1975 nonschool outlays increased at a 60 percent greater rate than school outlays. It seems clear that Maine's finance reform law did not put school spending out of line with other states, though it did help Maine municipalities use the "freed up" school property tax monies for increased nonschool programs.

Finding: School expenditures in Maine have not risen dramatically as a result of school finance reform.

In 1975-76, current expenditures per pupil in Maine were \$1,120. or 86 percent of the national average. Its level of current expenditures did increase in relation to the national averages after 1973-74 but its expenditures were still considerably below the level of all other New England states except New Hampshire. Current expenditures were also below levels in such other rural states as Nebraska, New Mexico, and Montana.

Overall school spending per pupil in Maine is exceeded by all other New England states and by all comparable small rural states except Idaho in 1976-77. According to data compiled by a national cost-of-education index, total and current expenditures per pupil in Maine were considerably lower than all other New England states and somewhat below selected other small rural states. However, transportation expenses were considerably above all other comparable states. Sources: See Table II-1 and II-2.

Finding: Maine teacher salaries have not increased any faster than the national average as a result of reform.

Maine classroom teacher salaries were 88 percent of the national average in 1972-73, two years before the enactment of Maine's new finance reform law. By 1976-77, they had fallen to 81 percent of the national average. Of the 12 states we have compared Maine with, Maine's average classroom teacher salary was less than all but New Hampshire, Vermont, and North and South Dakota. Source: See Table II-3.

Finding: Maine nonschool expenditures have been increasing at faster levels in recent years than have school expenditures.

Since 1971, Maine local school expenditures, according to the U.S. Bureau of the Census have been increasing at a slower rate than overall local expenditures. Thus, between 1971 and 1975 local school expenditures increased by 48 percent from \$157 to \$232 million. At the same time, total local expenditures were increasing by 62 percent and non school outlays increased by 79 percent. On a national basis, Maine school outlays increased at a rate comparable to national averages while nonschool outlays in Maine increased at a substantially greater rate than the national average. Source: See Table II-4.

Table II-1

Current Expenditures/Pupil in Average Daily Attendance
As Percent of National Average
1966-1976
Maine and Other Selected States

Current Exp./Pupil in A.D.A.
As Percent of National Average

	1965-66	1972-73	1973-74	1974-75	1975-76
Maine	79%	82%	77%	84%	86%
Other New England States					
New Hampshire	92	85	79	74	77
Vermont	96	125	106	100	101
Massachusetts	116	107	99	104	106
Connecticut	118	120	123	126	125
Rhode Island	109	114	116	118	115
Other Small Rural States					
Nebraska	87	86	96	94	97
Utah	86	74	72	75	79
New Mexico	99	83	81	88	90
Idaho	79	73	74	81	79
Montana	99	91	87	82	115
South Dakota	87	81	79	80	79
North Dakota	90	82	83	83	87
Average State					
U.S. Average	100	100	100	100	100

Source: National Education Association, Financial Status of the Public Schools - 1976
(Washington, D.C.: NEA, 1976)

Table II-2

Per Pupil School Spending, By Major Component
of Cost, 1976-1977
Maine and Selected Other States

	Total Expenditure	Debt Service/ Capital Outlay	Transpor- tation 1976-77	Total Net Current	Total Instruction
Maine	\$ 1,304	\$ 103	\$ 74	\$ 1,117	\$ 803
Other New England States					
New Hampshire	1,443	275	53	1,115	766
Vermont	1,508	110	42	1,356	889
Massachusetts	1,903	54	84	1,793	1,349
Connecticut	1,565	49	61	1,456	1,079
Rhode Island	1,601	37	53	1,511	1,054
Other Small Rural States					
Nebraska	1,400	55	30	1,315	926
Utah	1,461	336	23	1,102	714
New Mexico	1,398	217	51	1,130	786
Idaho	1,046	55	46	945	742
Montana	1,477	110	42	1,325	963
South Dakota	1,345	172	39	1,134	799
North Dakota	1,380	62	25	1,292	903
Average State					
U.S. Average	1,615	165	55	1,395	925

Source: National Comparison: Local School Costs for the 1976-77
School Year (Westport, Connecticut: Market Data Retrieval Inc., 1977)

Table II-3

Estimated Average Annual Salary of All
Classroom Teachers
1972-1977
Maine and Other Selected States

Average Annual Classroom Salary					
	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977
Maine	8,976	9,238	9,806	10,620	10,724
Other New England States					
New Hampshire	9,157	9,615	9,998	10,500	10,250
Vermont	8,887	8,932	9,768	10,028	10,676
Massachusetts	10,250	11,121	11,400	11,900	12,260
Connecticut	10,600	11,030	11,802	12,818	13,651
Rhode Island	10,606	11,407	12,371	13,381	13,754
Other Small Rural States					
Nebraska	8,730	9,174	9,265	10,442	11,172
Utah	8,503	9,146	10,056	11,187	12,170
New Mexico	8,705	9,100	10,005	11,005	12,032
Idaho	7,657	8,383	9,242	10,212	10,987
Montana	8,908	9,429	10,230	11,150	12,053
South Dakota	7,908	8,150	8,871	9,592	10,250
North Dakota	8,077	8,493	9,245	10,063	10,732
Average State					
U.S. Average	10,164	10,778	11,650	12,600	12,397

Sources: National Education Association, Estimates of School Statistics 1973-1977.

Table II-4

Total Local School and Nonschool Expenditures
Maine and Selected States
1971-1975

	Local School Expenditures (\$000,000)			Local Nonschool Expenditure (\$000,000)		
	1971	1975	% Change	1971	1975	% Change
Maine	\$ 157	\$ 232	48%	\$ 126	\$ 226	79%
Other New England States						
New Hampshire	121	203	68	120	202	98
Vermont	79	129	63	52	81	56
Massachusetts	1,123	1,851	65	1,320	2,029	54
Connecticut	689	900	31	631	901	43
Rhode Island	163	238	46	138	208	51
Other Small Rural States						
Nebraska	296	435	47	343	565	65
Utah	218	366	68	118	246	108
New Mexico	225	351	56	145	240	66
Idaho	115	219	90	113	207	83
Montana	143	252	76	102	194	90
South Dakota	152	182	20	92	157	71
North Dakota	113	173	53	103	148	44
Average State						
U.S. Average	41,275	60,950	48	52,871	82,198	55

Source: U.S. Bureau of the Census
Governmental Finances in 1974-75, Table 18
Governmental Finances in 1973-74, Table 18
Governmental Finances in 1970-71, Table 18

The relative fiscal equalization of Maine's school finance law compares favorably with other states.

Maine's new finance program has reduced spending differentials for a major portion of the state's school population. With the exception of a few other states that either have much higher levels of state contribution to their school funding plans or which have stronger fiscal controls on local school spending, the relative fiscal equalization of Maine's finance law compares favorably with most other reform states. Moreover, Maine's level of spending equalization is superior to several larger urban states that have yet to make major overhauls in their school funding systems.

Finding: The relative fiscal equalization of Maine's new school aid formula compares favorably with many other states that have recently revised their basic school funding systems.

In comparing Maine with ten other states that revised their basic funding systems since 1971, Maine's level of spending equalization is substantially exceeded by only four other states -- Florida, Iowa, New Mexico, and Utah. Three of these states have state funding levels which exceed Maine, and the other -- Iowa -- adopted its school finance reform in 1971 and has had in place a set of spending controls which have materially contributed to school finance equalization in that state. For the level and proportion of state funding responsibility that Maine has devoted to its funding program, its level of spending equalization for a large portion of its school population is a considerable achievement. Source: See Table II-5.

Finding: The fiscal equalization of Maine's school aid formula also compares favorably with other larger and more urban states that have not revised their basic school aid systems.

In comparing Maine with four urban states that have not undertaken major funding reforms, Maine's school spending equalization is substantial. For 1974-75, school spending differentials in Maine were considerably less pronounced than those found in the more urban states of Maryland, Rhode Island, Virginia, and Washington -- states that have not undertaken as extensive recent reforms of their funding systems. Source: See Table II-6.

Table II-5

Disparities in Per Pupil Current School Expenditures Before and After Enactment
of New School Finance Laws in Selected States

State	Year New Law Enacted	Per Pupil Current School Expenditure					
		Year Before New Law			1975		
		20th <i>a</i> / Percentile	80th <i>b</i> / Percentile	20th::80th Percentile	20th <i>a</i> / Percentile	80th <i>b</i> / Percentile	20th::80th Percentile
Florida	1973	\$ 748	\$ 891	.840	\$ 744	\$ 814	.914
Illinois	1973	932	1400	.666	n.c.	n.c.	n.c.
Iowa	1971	876	1056	.827	1169	1263	.926
Kansas	1973	672	866	.776	984	1201	.819
Maine	1973	671	1077	.623	991	1264	.784
Michigan	1973	700	933	.750	916	1114	.770
Minnesota	1971	591	793	.745	905	1143	.792
New Mexico	1974	734	787	.933	650	706	.921
North Dakota	1973	n.c.	n.c.	n.c.	705	927	.761
Utah	1973	585	637	.849	849	886	.958
Wisconsin	1973	740	954	.776	1287	1643	.783
Colorado	1973	n.c.	n.c.	n.c.	1091	1358	.803

n.c. = not computed

Source: NCSL-LEAP Project Files

a/ The average per pupil current expenditure for the lowest spending school districts enrolling 20% of the state's school population.

b/ The average per pupil current expenditure for the highest spending school districts enrolling 20% of the state's school population.

Table II-6

School Finance Spending Equalization Patterns - 1975
Maine and Other Selected States

State	<u>\$ Spending Difference Between</u>			<u>% Spending Difference Between</u>		
	<u>Decils</u>			<u>Decils</u>		
	<u>5th & 95th</u>	<u>10th & 90th</u>	<u>15th & 85th</u>	<u>5th & 95th</u>	<u>10th & 90th</u>	<u>15th & 85th</u>
	<i>a</i>	<i>b</i>	<i>c</i>	<i>a</i>	<i>b</i>	<i>c</i>
Maine*	\$ 426	\$ 312	\$ 270	64%	44%	37%
Colorado	778	721	545	82	72	51
Florida	138	N/A	N/A	16	NA	NA
Kansas*	573*	406	252	66	45	27
Maryland <i>d/</i>	660	660	344	62	62	32
Minnesota	627	438	329	73	63	37
New Mexico*	199*	107	104	31	17	16
North Dakota*	369*	255	255	55	36	36
Rhode Island <i>d/</i>	549	524	388	59	54	40
Virginia <i>d/</i>	576	543	532	74	67	65
Washington <i>d/</i>	820	620	515	81	59	48

*These states deduct P.L. 874 impact aid from basic state allotments to local districts.

Source: National Conference of State Legislatures (NCSL), Impact Aid and Basic State School Finance Programs: Can They Be Made Compatible? (Washington, D.C.: NCSL, 1976)

a/ The spending difference between the districts enrolling the top and bottom 5% of the state's school population.

b/ The spending difference between the high and low spending districts enrolling the top 10% of the state's school population.

c/ The spending difference between the high and low spending districts enrolling the top 15% of the state's school population.

d/ These are urban states which have not fully reformed their school finance systems.

Maine's new finance reform law has brought about a fundamental shift in the overall fiscal responsibilities of state and local government in Maine.

The state's decision to fund about 50 percent of the cost of basic elementary and secondary education costs represents one of the largest single shifts in state education financing responsibility in the country. This major shift to state financing of education, in turn, meant that the bulk of the intergovernmental aid dollar in Maine continues to be allotted for education. The increased state responsibility, in turn, has been one of the key factors in rising state tax effort in Maine since 1971. At the same time, the increased state responsibility has resulted in materially lower local school tax effort in Maine. Indeed, local school tax effort as measured by local school taxes per \$1,000 personal income exhibited the greatest relative drop of any state in the Union between 1971 and 1975. At the same time nonschool tax effort increased at a rate comparable to the national average. This meant that while 55 percent of all local revenue effort was for school purposes in 1971 only 44 percent of the local revenue dollar was spent for school purposes in 1975. Thus, Maine's greater assumption of school financing increased overall state tax effort but substantially reduced overall local tax effort, particularly for school programs.

Finding: Maine's school finance reform has placed considerable fiscal responsibility on the state and has meant that a greater share of the state budget is allotted to school aid.

With the exception of North Dakota and Montana, Maine had the greatest relative rise in state financing of schools as a result of its finance reform. The state share of financing has risen to 50 percent of school costs which is the highest level of state funding in New England though still below the levels found in the South and parts of the West.

The increase in the state's share of school financing responsibility has meant that Maine's per capita aid for education has increased dramatically in comparison to New England and other small rural states. Its state education aid effort, as measured by state education aid per \$1,000 personal income is also exceeded by only one other comparable state -- Utah.

The increase in state school aid means that education aid consumes about 75 percent of the total state aid dollar in Maine. Again, this is considerably more than most New England states though roughly comparable to other small rural states. *Sources: See Tables II-7, II-8, and II-9.*

Finding: Maine's assumption of greater responsibility for financing schools has been a factor in increasing overall state tax effort.

The increased state share of basic school finance costs in Maine has meant a considerably greater role for the state in state-local fiscal matters. Through 1974 the state collected about 54-55 percent of all state-local taxes, a proportion generally in line with most other states. By 1975, however, this proportion had risen to 61 percent which was substantially above national and New England averages.

The increased state tax effort involved in raising the state's share of schooling costs meant that Maine's state tax effort was about 9 percent greater in 1975 as opposed to 1971 which marked the first Serrano case. Only 16 other states exhibited greater increases in state tax effort during this time. *Sources: See Tables II-10 and II-11.*

Finding: The increased role of the state in Maine's school financing program has coincided with a major drop in local revenue effort for schools but with a slightly rising effort for nonschool programs.

In 1971 Maine local governments had a combined tax effort of about \$62 per \$1,000 personal income. This local revenue went predominately for school programs. By 1975 the total local revenue effort had declined to about \$54 per \$1,000 personal income with the bulk of such revenues now going towards the financing of nonschool programs. On the school front Maine's local school tax effort in 1975 was only 70 percent of the levels exhibited in 1971, the greatest such reduction in the whole country. In contrast, Maine nonschool tax effort in 1975 was about 10 percent greater than in 1971. This was somewhat above the national average and exceeded the increases in nonschool tax effort in about 29 other states in the Union.

These data provides clear indication that Maine's finance reform drastically reduced school reliance on the property tax and enabled local governments to devote more local resources to nonschool programs. *Sources: See Tables II-12 and II-13.*

Table II-7

Percent of State-Local Public School Revenue
Receipts from State Sources, 1971, 1975, 1977*

Percent of State-Local Public School Revenues from State Sources					
<u>State</u>	<u>1971</u>	<u>1975</u>	<u>1977</u>	<u>1975 Relative to 1971</u>	<u>1977 Relative to 1971</u>
U.S. Total	43.1%	47.3%	47.2%	109.7	109.5
New England					
Connecticut	23.8	26.0	31.8	109.2	133.6
Maine	34.6	50.4	49.5	145.7	143.1
Massachusetts	26.4	26.3	22.9	99.6	86.7
New Hampshire	10.5	7.4	9.1	70.5	86.7
Rhode Island	37.1	39.9	38.5	107.5	103.8
Vermont	35.1	33.4	28.8	95.2	82.1
Mideast					
Delaware	76.3	74.7	74.3	97.9	97.4
Maryland	37.5	48.3	44.2	129.6	117.9
New Jersey	27.1	33.2	40.6	122.5	149.8
New York	50.1	42.0	40.9	83.6	81.6
Pennsylvania	46.2	53.3	50.9	115.3	110.2
Southeast					
Alabama	74.6	72.4	74.7	97.0	100.1
Arkansas	54.2	59.2	61.1	109.2	112.7
Florida	61.7	63.3	58.2	102.6	94.3
Georgia	61.4	63.3	68.2	103.0	111.1
Kentucky	64.5	63.6	66.5	98.6	103.1
Louisiana	65.6	67.6	67.8	103.0	103.4
Mississippi	65.3	67.3	70.1	103.1	107.4
North Carolina	77.9	77.4	77.3	99.4	99.2
South Carolina	68.4	68.6	65.0	100.3	95.0
Tennessee	52.1	59.5	55.6	114.2	106.7
Virginia	37.8	36.2	32.1	95.8	84.9
West Virginia	56.7	62.7	67.1	110.6	118.3
Great Lakes					
Illinois	36.6	44.9	51.4	122.7	140.4
Indiana	33.2	36.5	44.8	109.9	134.9
Michigan	42.9	53.3	39.2	124.2	91.4
Ohio	29.8	39.9	42.8	133.9	143.6
Wisconsin	31.7	38.7	36.1	123.6	113.9

* Source: NCSL calculations based on data gathered from state educational agencies and reported in National Education Association Estimates of School Statistics.

Table II-7
(continued)Percent of State-Local Public School Revenue
Receipts from State Sources, 1971, 1975, 1977

Percent of State-Local Public School Revenues from State Sources					
<u>State</u>	<u>1971</u>	<u>1975</u>	<u>1977</u>	<u>1975 Relative to 1971</u>	<u>1977 Relative to 1971</u>
U.S. Total	43.1%	47.3%	47.2%	109.7	109.5
Plains					
Iowa	28.9	45.5	42.8	157.6	148.1
Kansas	32.1	43.8	48.2	136.4	150.2
Minnesota	48.1	61.1	57.8	127.0	120.2
Missouri	33.8	38.1	39.4	112.7	116.6
Nebraska	20.1	28.1	24.9	139.6	123.9
North Dakota	31.3	45.5	50.7	145.4	162.0
South Dakota	16.0	15.5	16.3	97.0	101.9
Southwest					
Arizona	47.5	50.9	51.5	107.1	108.4
New Mexico	74.5	76.2	80.9	102.2	108.6
Oklahoma	51.1	54.5	60.1	106.7	117.6
Texas	52.1	51.8	53.7	99.4	103.1
Rocky Mountains					
Colorado	31.9	44.1	42.0	138.2	131.7
Idaho	44.6	53.9	54.4	120.9	122.0
Montana	26.1	43.3	64.1	165.9	245.6
Utah	57.3	60.6	56.7	105.7	99.0
Wyoming	36.6	35.3	32.2	96.6	88.0
Far West					
Alaska	85.7	80.0	79.5	93.3	92.8
California	37.1	44.5	41.8	119.9	112.7
Hawaii	96.9	93.5	95.8	96.5	98.9
Nevada	40.2	38.5	39.5	95.8	98.3
Oregon	20.8	27.1	30.5	130.1	146.6
Washington	54.8	55.6	70.5	101.5	128.6

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Table II-8

State Education Aid, Per Capita Amounts
and Amounts Per \$1000 Personal Income
Maine and Selected States
1971-1975

	Per Capita State Education Aid			State Education Aid Per \$1000 Income		
	1971	1974	1975	1971	1974	1975
Maine	\$ 65	\$ 73	\$ 142	\$ 20	\$ 18	\$ 31
Other New England States						
New Hampshire	23	33	41	7	7	8
Vermont	93	111	115	28	28	26
Massachusetts	62	103	136	14	19	24
Connecticut	92	97	101	19	18	19
Rhode Island	74	91	102	19	18	19
Other Small Rural States						
Nebraska	43	64	76	12	12	14
Utah	115	146	185	37	36	43
New Mexico	157	182	202	51	48	50
Idaho	76	116	152	24	28	26
Montana	70	113	125	21	25	26
South Dakota	54	63	102	17	13	13
North Dakota	62	123	133	21	22	24
Average State	90	119	134	24	26	27
U.S. Average	93	129	147	24	26	27

Source: U.S. Bureau of Census

State Government Finances, 1975 - Table 6 & Table 4
State Government Finances, 1974 - Table 6 & Table 4
State Government Finances, 1971 - Table 6 & Table 4

Table II-9

State Total and State School Aid Expenditures
Maine and Other Selected States
1971-1975

	Total Intergovt. Aid (Millions)			Education Intergovt. Aid (Millions)		
	1971	1974	1975	1971	1974	1975
Maine	78	109	202	65	76	150
Other New England States						
New Hampshire	49	69	83	18	27	33
Vermont	51	69	78	43	52	54
Massachusetts	531	916	1,348	358	596	792
Connecticut	350	429	453	283	298	312
Rhode Island	98	114	134	71	85	94
Other Small Rural States						
Nebraska	177	181	224	65	98	117
Utah	137	198	262	127	171	223
New Mexico	213	272	306	162	204	231
Idaho	82	135	156	56	93	100
Montana	58	97	115	50	83	94
South Dakota	44	63	62	36	43	42
North Dakota	81	114	122	39	78	84
Average State						
U.S. Average	32,640	45,941	51,978	19,292	27,107	31,110

Source: U.S. Bureau of Census

State Government Finances, 1975, Table 11
State Government Finances, 1974, Table 11
State Government Finances, 1971, Table 10

Table II-10

Selected Measures of State Fiscal Responsibility
1971-1975
Maine and Other Selected States

	State Share of State-Local Tax Revenue			State Share of Direct Expenditure		
	1971	1974	1975	1971	1974	1975
Maine	55.5	53.8	61.0	56.3	52.6	53.9
Other New England States						
New Hampshire	41.4	42.3	40.1	48.5	45.9	46.4
Vermont	62.2	57.8	56.8	65.9	59.8	61.4
Massachusetts	47.4	49.6	46.8	45.7	47.4	43.7
Connecticut	48.4	51.4	49.1	45.7	43.0	45.1
Rhode Island	60.8	58.7	58.5	54.4	53.9	53.9
Other Small Rural States						
Nebraska	45.1	48.4	47.6	34.8	38.7	37.3
Utah	63.1	65.6	65.4	54.8	49.0	47.2
New Mexico	78.9	80.6	82.7	49.9	51.5	48.1
Idaho	64.0	67.0	68.8	51.2	49.2	47.2
Montana	45.3	51.0	50.8	54.0	47.2	44.8
South Dakota	41.7	46.8	46.2	49.6	49.6	50.4
North Dakota	54.2	66.5	67.7	52.4	52.5	51.6
Average State						
U.S. Average	54.2	56.8	56.7	37.4	37.2	37.6

Sources: U.S. Bureau of the Census.

Governmental Finances in 1970-71 (Washington, D.C.: USGPO, October 1972),
Table 25

Governmental Finances in 1973-74 (Washington, D.C.: USGPO, November 1975),
Table 25

Governmental Finances in 1974-75 (Washington, D.C.: USGPO, August, 1976),
Table 25.

Table II-11

State Taxes Per \$1000 of Personal Income, 1971 and 1975*

State Taxes Per \$1000 of Personal Income			
<u>State</u>	<u>1971</u>	<u>1975</u>	<u>1975 Relative to 1971</u>
U.S. Total	\$64.84	\$69.91	\$107.8
New England			
Connecticut	53.81	53.12	98.7
Maine	70.74	76.78	108.5
Massachusetts	60.30	66.44	110.2
New Hampshire	44.54	43.16	96.9
Rhode Island	73.32	69.87	95.3
Vermont	91.30	87.75	96.1
Mideast			
Delaware	93.24	93.08	99.8
Maryland	68.80	71.14	103.4
New Jersey	45.37	45.88	101.1
New York	71.73	80.14	112.4
Pennsylvania	66.77	73.42	110.0
Southeast			
Alabama	72.25	73.71	102.0
Arkansas	70.65	75.36	106.7
Florida	63.65	63.70	100.1
Georgia	64.59	66.73	103.3
Kentucky	76.79	86.09	112.1
Louisiana	88.83	92.49	104.1
Mississippi	90.73	90.21	99.4
North Carolina	79.42	75.97	95.7
South Carolina	78.69	79.90	101.5
Tennessee	60.64	61.32	101.1
Virginia	61.84	63.45	102.6
West Virginia	82.95	94.89	115.1
Great Lakes			
Illinois	62.68	63.54	101.4
Indiana	53.57	67.10	125.4
Michigan	70.42	65.13	92.5
Ohio	41.82	51.30	122.7
Wisconsin	87.03	89.36	102.7

* Source: U.S. Bureau of the Census, State Government Finances.

Table II-11

(continued)

State Taxes Per \$1000 of Personal Income, 1971 and 1975

State Taxes Per \$1000 of Personal Income			
<hr/>			
<u>State</u>	<u>1971</u>	<u>1975</u>	<u>1975 Relative to 1971</u>
U.S. Total	\$64.84	\$69.91	\$107.8
Plains			
Iowa	61.56	70.46	114.5
Kansas	53.87	61.10	113.4
Minnesota	75.38	95.22	126.3
Missouri	49.28	54.16	109.9
Nebraska	52.86	52.16	98.7
North Dakota	76.97	74.14	96.3
South Dakota	57.75	53.56	92.7
Southwest			
Arizona	81.51	85.01	104.3
New Mexico	99.82	111.92	112.1
Oklahoma	63.73	71.22	111.8
Texas	55.41	60.96	110.0
Rocky Mountains			
Colorado	60.68	62.94	103.7
Idaho	80.95	75.86	93.7
Montana	57.83	63.88	110.5
Utah	78.72	76.01	96.6
Wyoming	78.95	79.52	100.7
Far West			
Alaska	72.89	85.23	116.9
California	63.89	75.84	118.7
Hawaii	107.49	112.74	103.5
Nevada	76.10	77.41	101.7
Oregon	57.12	66.23	115.9
Washington	82.39	78.29	95.0

Table II-12

Local Public School Revenue Receipts Per
Personal Income by State, 1971 and 1975*

Local Public School Revenue Receipts Per \$1000 of Personal Income by State			
State	1971	1975	1971 Relative to 1975
U.S. Total	\$26.76	\$24.44	91.3
New England			
Connecticut	42.17	36.79	87.2
Maine	33.67	23.73	70.5
Massachusetts	31.77	36.21	114.0
New Hampshire	38.52	38.02	98.7
Rhode Island	25.12	25.46	101.4
Vermont	44.69	42.41	94.9
Mideast			
Delaware	13.03	12.63	96.9
Maryland	31.24	29.27	93.7
New Jersey	34.71	33.18	97.1
New York	25.96	33.73	129.9
Pennsylvania	25.95	22.90	88.2
Southeast			
Alabama	8.82	9.70	110.0
Arkansas	10.78	15.33	142.3
Florida	15.61	13.81	88.5
Georgia	13.78	14.13	102.6
Kentucky	13.51	13.32	98.6
Louisiana	17.54	13.97	79.6
Mississippi	13.78	12.41	90.1
North Carolina	9.09	11.36	125.0
South Carolina	14.28	13.92	97.4
Tennessee	18.86	15.94	84.5
Virginia	28.43	25.95	91.3
West Virginia	18.34	16.02	87.4
Great Lakes			
Illinois	31.42	26.64	84.8
Indiana	35.40	30.58	86.4
Michigan	30.25	20.67	68.3
Ohio	29.11	26.06	89.5
Wisconsin	37.02	32.21	87.0

*Source: NCSL calculations based on data from National Education Association, Estimates of School Statistics and U.S. Bureau of the Census, Statistical Abstract of the United States, 1976.

Table II-12
(continued)

Local Public School Revenue Receipts Per
Personal Income by State, 1971 and 1975*

Local Public School Revenue Receipts Per			
<hr/>			
<u>State</u>	<u>1971</u>	<u>1975</u>	<u>1971 Relative to 1975</u>
U.S. Total	\$26.76	\$24.44	91.3
Plains			
Iowa	40.81	23.71	58.1
Kansas	31.23	21.72	69.5
Minnesota	30.58	22.04	72.1
Missouri	26.13	26.25	100.5
Nebraska	29.04	27.51	94.7
North Dakota	33.17	21.95	66.2
South Dakota	41.02	36.99	90.2
Southwest			
Arizona	26.72	26.69	99.9
New Mexico	13.60	12.58	92.5
Oklahoma	22.09	19.37	87.7
Texas	22.74	19.73	86.8
Rocky Mountains			
Colorado	34.25	28.48	83.2
Idaho	26.59	19.82	74.5
Montana	39.61	22.68	57.3
Utah	23.69	21.03	88.8
Wyoming	35.29	32.39	91.8
Far West			
Alaska	9.36	10.56	112.8
California	26.56	23.72	89.3
Hawaii	1.62	2.66	164.2
Nevada	25.22	23.97	95.0
Oregon	43.09	37.81	87.7
Washington	23.34	19.98	85.6

Table II-15

Local Non-Education Revenue Receipts Per \$1000 of
Personal Income by State, 1971 and 1975*

Local Non-Education Revenue Receipts Per \$1000 of Personal Income by State			
State	1971	1975	1975 Relative to 1971
U.S. Total	\$40.31	\$43.41	107.7
New England			
Connecticut	25.82	22.80	108.5
Maine	26.97	29.61	109.8
Massachusetts	41.48	45.18	108.9
New Hampshire	28.07	33.05	117.7
Rhode Island	24.58	25.11	102.2
Vermont	12.47	26.83	215.2
Mideast			
Delaware	24.23	21.97	90.7
Maryland	31.29	34.18	109.2
New Jersey	36.12	46.34	128.3
New York	57.96	68.19	117.7
Pennsylvania	30.25	31.50	104.1
Southeast			
Alabama	40.96	37.50	91.6
Arkansas	27.63	25.28	91.5
Florida	45.69	46.23	101.2
Georgia	44.12	53.94	122.3
Kentucky	29.31	30.92	105.5
Louisiana	33.89	41.58	122.7
Mississippi	43.52	37.62	86.4
North Carolina	28.12	31.87	113.3
South Carolina	21.45	27.79	129.6
Tennessee	36.65	43.40	118.4
Virginia	20.54	26.61	129.6
West Virginia	20.29	22.26	109.7
Great Lakes			
Illinois	32.63	36.51	111.9
Indiana	29.51	29.09	98.6
Michigan	34.30	48.46	141.3
Ohio	35.86	34.97	97.5
Wisconsin	33.01	30.90	93.6

* Source: NCSL calculations based on data from National Education Association, Estimates of School Statistics and U.S. Bureau of the Census, Governmental Finances.

Table II-13
(continued)Local Non-Education Revenue Receipts Per \$1000 of
Personal Income by State, 1971 and 1975

Local Non-Education Revenue Receipts Per \$1000 of Personal Income by State			
<u>State</u>	<u>1971</u>	<u>1975</u>	<u>1975 Relative to 1971</u>
U.S. Total	\$40.31	\$43.41	107.7
Plains			
Iowa	36.70	39.41	107.4
Kansas	35.12	39.82	113.4
Minnesota	43.12	42.08	97.6
Missouri	35.32	37.84	107.2
Nebraska	51.92	44.51	85.7
North Dakota	37.95	27.24	71.8
South Dakota	46.74	36.24	77.5
Southwest			
Arizona	35.99	35.96	99.9
New Mexico	27.71	25.27	91.2
Oklahoma	27.59	31.58	114.5
Texas	35.62	37.73	105.9
Rocky Mountains			
Colorado	35.77	41.87	117.1
Idaho	34.80	39.00	112.1
Montana	38.15	51.24	134.3
Utah	30.97	33.53	108.3
Wyoming	48.77	45.23	92.7
Far West			
Alaska	46.40	44.84	96.6
California	63.04	60.43	95.9
Hawaii	35.92	36.82	102.5
Nevada	55.64	53.69	96.5
Oregon	28.34	36.18	127.7
Washington	38.83	42.96	110.6

Part III

Maine's School Finance Reform Program: How Well Has It Worked?

This part of our evaluation of the Maine School Finance Act of 1973 is intended to provide answers to many of the questions asked about the impact of the Maine finance law since its inception. Using data gathered from a variety of state and federal sources on school expenditures, tax rates, property valuations, personal income, and elderly tax relief payments, we have sought to answer the following questions:

- What impact has Maine's finance reform had on narrowing the school spending and taxing differentials that existed in 1972-1973?
- What parts of the local school budget have been most effected by finance reform? What has been the effect of the new law on teacher salaries in the state?
- What type of school districts have benefited the most from reform? Which type of districts show the least advantage from the law?
- What has been the impact of the law on increases in total local taxes, school taxes, and nonschool taxes?
- How have the elderly been affected by recent taxing changes brought about by the school finance reform?
- How have the recent major changes in state valuation affected the operation of the Maine school finance law?

Before going into the detailed findings about the matters, our data on these questions permits us to make the following conclusions.

The Maine school finance law has primarily improved school tax equalization in the state. It has not proven as successful in narrowing spending disparities among local districts.

Since the Maine school finance law was never intended to bring about a radical equalization of school spending in the state, we find that there are still major spending differences among school units in Maine. A good deal of the spending variation stems from the fact that there still is local option to spend more for education in Maine, and those school units that have spent at a high rate for education in the past still continue that trend. Through the equalized "leeway" provisions of the state finance program, the maintenance of effort provisions in the state law, and the recent removal of all spending controls for 1976-77, school districts that wish to increase their spending for education are free to do so. At the same time, many school districts that have always spent at a low level for education continue to exhibit relatively low spending. Partly penalized by the provision in the law that only one-third of the difference between their expenditures and state average may be subsidized by the state aid formula, and partly unwilling to make use of the equalized leeway in the state program, some lower spending districts have been unable or unwilling to add to their spending at a greater rate than higher spending units. In short, there still appears to be considerable local choice in arriving at local spending levels, and Maine communities are using this local choice as they best see fit.

If the results on narrowing spending differences are disappointing, the results on school tax equalization are impressive. Virtually all local school districts in Maine now levy an equalized school tax rate of between 14 and 18 mills.* Contrast this with the situation in 1972-73 when it was not uncommon to find school tax rate variations of 9 to 32 mills. Jurisdictions that formerly had to levy very high local taxes in support of education have been the biggest gainers in Maine school finance reform. The level of tax rate equalization is probably among the highest of any state school finance system that we have studied.

Finding: The major fiscal impact of Maine's finance reform has been to equalize school tax rate differences. Considerable variation still exists in current operating expenditures among Maine districts.

*This school tax rate is for the support of current operating programs.

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School tax rate differentials in Maine have been narrowed drastically as a result of reform. While equalized school tax rate differentials in 1973 varied from 32.0 to 2.8 mills, they now show an average variation of between 14.3 and 17.9 mills on state valuation in 1976. Equalized school tax rates in high tax effort units have dropped by between 20 and 45 percent since 1973 while very low tax effort districts had to increase their effort by as much as 400 percent in some cases. In short, the uniform property tax has provided tremendous equalization of school tax rates.

At the same time there still are considerable spending differentials among Maine school units. While there are spending differentials of about \$250 per pupil among many school districts in Maine, there are wider gaps in spending among the very low and the **very high spending** units. In 1976 these extreme differentials were as much as \$675 per pupil in a few cases while in 1973 the differentials were not much different. Apparently, high spending units in Maine have not been adversely affected by the finance reform, but some low spending units also have been unable or unwilling to expand their schooling outlays at a comparable rate during this time period. Clearly, the Legislature should give more attention in its funding reform to helping low spending districts augment their school spending to provide educational programs that are more comparable to higher spending units. *Source: See Table III-1, III-2, III-3, and III-4.*

III-4

Table III-1

School Tax Rate Equalization Trends
1973-1976
Ranked by Equalized School Tax Effort - 1973

Decile of School District Ranked by School Tax Rate - 1973	Equalized School Tax Rate (in Mills)		% Change 1973-76
	1973	1976	
1st	32.0	17.9	-44%
2nd	23.6	16.2	-31
3rd	20.7	15.9	-23
4th	19.1	15.0	-21
5th	17.7	15.5	-12
6th	16.3	16.1	-1
7th	15.0	15.1	+1
8th	12.4	14.6	+18
9th	9.1	14.5	+59
10th	2.8	14.3	+410
STATE Decile Average (N=232)	17.3	15.5	-10

Source: Data compiled from the Finance Division of the Maine
Department of Educational and Cultural Services

Equalized School Tax Rate is obtained by dividing local property taxes raised for school purposes as derived from line #11 of the 1973 and 1976 Financial Report of Public Schools into the 1973 or 1976 state valuation for the school district. 1976 state valuation for the district is the average of the 1975 and 1977 state valuation.

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Table III-2

Current Operating Per Pupil Spending Trends
1973-1976
Ranked by Per Pupil Current Operating Spending
1973, 1974, 1975, 1976

Decile of Current School Spending Per Pupil 1973, 1974, 1975, 1976	Current Expenditure Per Pupil by Decile 1973-1976			
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
1st	\$1,055	\$1,115	\$1,196	\$1,263
2nd	780	879	959	1,028
3rd	713	816	886	965
4th	677	781	842	934
5th	648	742	813	905
6th	626	713	787	870
7th	598	690	763	842
8th	575	659	732	807
9th	539	633	698	760
10th	485	554	622	676
STATE Decile Average (N=207)	\$ 671	\$ 760	\$ 831	\$ 907

Source: Data compiled from the Finance Division of the Maine Department of Educational and Cultural Services.

Current expenditures per pupil are the source of reported expenditures for administration, instruction, attendance & health sources, selected auxillary services, and operation and maintenance reported in the 1973 and 1976 Finance Report of Public Schools.

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Table III-3

Dollar Spending Differences Between
Maine School Districts
1973, 1974, 1975, 1976

<u>Spending Differences</u>	<u>Year</u>			
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
1st and 10th Deciles				
\$ Difference	\$ 570	\$ 561	\$ 574	\$ 676
% Difference	117%	101%	92%	86%
2nd and 9th Deciles				
\$ Difference	241	246	261	268
% Difference	44	38	37	35
3rd and 8th Deciles				
\$ Difference	138	157	154	158
% Difference	24	23	21	19

Source: See Table III-2

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Table III-4

Current Operating Spending Differences
By Enrollment Size of District
1976

1976 Enrollment Size Category Of District	Spending Decile of District - 1976					
	<u>1st</u>	<u>2nd</u>	<u>5th</u>	<u>6th</u>	<u>9th</u>	<u>10th</u>
2,000 +	\$1137	\$1030	\$ 937	\$ 912	\$ 805	\$ 736
1000-2000	1151	1007	878	857	822	777
500-999	1107	1005	911	872	778	655
200-499	1071	965	893	854	743	640
50-199	1586	1073	888	858	726	677

Source: See Table III-2

It does not appear that any part of the school budget has been favorably or adversely affected by school finance reform. Moreover, teacher salaries have not gained a disproportionate share of spending increases incurred since the Act's inception.

Opponents of finance reform sometimes make a convincing argument that the only effect of finance reform will be to raise teacher salaries and permit teachers to obtain a larger share of the school budget. The data that we have gathered in the course of this study disproves that contention. While it is true that teacher salaries increased at a greater annual rate after the adoption of the Maine school finance reform, we find that most districts continue to spend about the same proportion of their school dollar in instructional programs as they did before reform. Like it or not all parts of the school budget in recent years have been affected by inflation. Extraordinary costs for utilities, rising construction costs, and the need for continuing outlays for essential auxiliary school services have prevented any major proportionate increase in instructional outlays for the schools. Teachers have not taken undue advantage of the finance reform to pad their overall salaries. In short, reform has permitted virtually all components of the school budget to keep pace with rising inflation and mounting educational costs.

Finding: Teacher salaries have not taken a disproportionate share of expanded school expenditures as a result of reform.

The share of school expenditures going into instructional salaries has remained virtually constant since enactment of finance reform. The share of current operating expenditures devoted to instructional salaries was about 58 percent in 1973 and by 1976 it was about 56 percent. Thus, instructional salaries as a proportion of local school budgets did not increase materially as a result of reform.

Moreover, while average teacher salaries increased by about 14 percent statewide between 1974-76, a rate about twice as great of that shown for 1972-1974, the increase in teacher salaries was relatively constant among most school districts across the state. Only the districts paying the very lowest teacher salaries in 1976 showed a rate of salary increase that was below statewide average. Most other school districts increased their teacher salaries in line with state average

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In short, the finance reform did mean that average teacher salaries could increase at a greater rate, but this increase was in the context of rising school expenditures statewide. Increasing teacher salaries did not divert school resources away from other essential educational programs. *Source: See Tables III-5 and III-6.*

Table III-5

Instructional Salary Share of Budgets: 1973-1976
 Ranked by 1976 State Operating Aid/Pupil

School District Ranked by 1975-76 Operating Aid Per Pupil	Percent of Current Expenditures In Instructional Salaries		Percent Change Percent Change 1973-1976
	1973	1976	
1st Decile	55.8%	53.2%	-2.6%
2nd	53.1	51.2	-1.9
3rd	63.0	61.0	-2.0
4th	61.4	55.5	-4.9
5th	62.9	61.2	-1.7
6th	62.2	60.3	-1.9
7th	56.1	53.9	-2.2
8th	60.9	59.9	-1.0
9th	52.3	53.1	-1.8
10th	53.6	53.1	- .5
STATE AVERAGE (N=210)	58.2%	56.3%	-1.9

Source: Data compiled from the Finance Division of the Maine
 Department of Educational and Cultural Services

Current expenditures and instructional salaries are
 items derived from the 1973 and 1976 annual school
 reporting form.

Table III-6

Average Teacher Salary Increases: 1972-1976
 Ranked by Average Teacher Salary
 In 1976

School District Ranked By 1976 Average Teacher Salary	Average Teacher Salary			% Change in Average Teacher Salary	
	<u>1972</u>	<u>1974</u>	<u>1976</u>	<u>1972-74</u>	<u>1974-76</u>
1st Decile (N=18)	\$ 6,999	\$ 7,396	\$ 7,964	5.7%	7.7%
2nd (N=18)	7,496	7,900	8,881	5.4	12.4
3rd (N=18)	7,535	8,118	9,328	7.7	14.9
4th (N=18)	7,821	8,473	9,565	8.3	12.9
5th (N=18)	8,318	8,730	9,850	5.0	12.8
6th (N=18)	8,389	8,987	10,163	7.1	13.1
7th (N=18)	8,665	9,273	10,663	7.0	14.7
8th (N=18)	8,970	9,460	11,024	5.5	16.5
9th (N=18)	9,050	9,657	11,377	6.7	17.8
10th(N=18)	9,599	10,524	12,202	9.6	16.0
STATE AVERAGE (N=180)	\$8,284	\$8,852	\$10,099	6.9%	14.1%

Source: Maine Teachers Association, Instructional Staff
Average Salaries 1971-1972 to 1975-1976.

The major impact of Maine's finance reform has been to provide much needed assistance to low-valuation, high tax districts.

The data that we have analysed showing the impact of reform on districts classified by their relative state valuation, spending, and school taxing characteristics indicates that the principal beneficiaries of Maine's finance reform law were low valuation school districts that were making a high rate of school tax effort before reform. Maine's finance reform has permitted these districts to have considerably lower tax rates as a result of reform. It has also insured that these districts will have a much greater share of their school budget subsidized by state aid. It is clear to these reviewers that without the enactment of the Maine finance reform in 1973, these low property wealth, high tax effort school districts would have fallen by the wayside.

At the same time, our data shows that Maine's finance reform has not been adverse to districts that have relatively high per pupil expenditures. Districts that choose to spend at a high level, especially if they are of average or below-average property wealth, have also received substantial benefits from the Act.

It is clear that the major "losers" under the Act are districts that have extraordinary property wealth from which they can finance any level of educational outlay and districts that prior to the finance reform law wished to have extraordinarily low taxes and spending for education. The finance reform law has prompted some districts to spend more for education and it has also removed the school tax advantages of those districts which have an extraordinarily rich tax base for the support of public schools.

Finding: The general impact of Maine school finance reform has been favorable to low wealth, high tax rate districts.

Data collected in the course of this study indicate that the major beneficiaries of finance reform have been low valuation and high tax rate school districts. School districts in the lower property wealth deciles of all Maine school units generally experienced about \$350 per pupil increases in state aid per pupil between 1973 and 1976. They also saw their school tax rates drop by about 6 to 8 mills during the same period.

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At the same time, districts that exhibited very high tax rates in 1973 saw their school tax rates cut as a result of reform and saw their school aid increase by about \$300 per pupil during this time period. State aid also became a more significant part of their overall state-local revenues. *Sources: See Tables III-7, III-8, and III-9.*

Table III-7

The Impact of Maine's School Finance Law on School Districts
Ranked by 1976 Wealth/Pupil

School District Ranked By 1976 Wealth Per Pupil	State Rev/Pupil <u>a/</u>		State Rev as % of State-Local Revenue <u>b/</u>		Local Revenue/State Valuation <u>c/</u>	
	<u>1973</u>	<u>1976</u>	<u>1973</u>	<u>1976</u>	<u>1973</u>	<u>1976</u>
1st Decile	\$ 296	\$ 439	23.1%	25.2%	5.5 Mills	11.6 Mills
2nd	121	182	12.2	12.4	11.0	12.2
3rd	130	287	15.7	22.9	15.5	12.1
4th	172	314	19.5	27.2	15.5	13.6
5th	212	507	26.8	43.4	20.8	13.5
6th	221	552	34.8	50.3	18.3	14.1
7th	266	654	38.8	60.1	19.8	13.3
8th	378	697	49.4	66.3	20.3	13.2
9th	351	731	50.3	70.7	19.8	13.3
10th	502	842	65.7	78.9	29.3	20.6
STATE AVERAGE (N=276)	\$ 272	\$ 541	34.8%	48.5%	18.0 Mills	13.9 Mills

Source: Data compiled by the Finance Division of the Maine Department of Education and Cultural Affairs.

Note: a/ State revenues derived from the 300 hours of the 1973 and 1976 Annual School Reporting forms

b/ State and local revenues derived from the 111 and 300 lines of the appropriate School Reporting forms

c/ Local revenues from 111 lines of School Reporting forms divided into 1973 and 1976 state valuations.

Table III-8

The Impact of Maine's School Finance Law on School Districts
Ranked by 1976 State-Local Revenue/Pupil

School District Ranked By 1976 State-Local Revenue Per Pupil		State Rev/Pupil		State Rev as % of State-Local Revenue		Local Revenue/State Valuation	
		1973	1976	1973	1976	1973	1976
High Revenue	1st Decile	\$ 368	\$ 767	28.9%	41.0%	11.2 Mills	13.2 Mills
	2nd	262	680	29.2	50.6	24.5	15.0
	3rd	272	639	35.5	53.0	17.7	13.0
	4th	277	523	32.2	46.3	16.6	13.7
	5th	275	572	40.6	52.7	17.3	13.3
	6th	273	541	38.1	51.6	24.8	20.6
	7th	251	449	34.4	44.3	18.7	13.1
	8th	226	455	32.4	46.4	16.5	12.6
	9th	298	496	36.9	53.1	17.0	13.0
Low Revenue	10th	227	362	36.8	45.0	15.1	11.9
STATE AVERAGE (N=276)		\$ 271	\$ 541	34.6%	48.5%	17.9 Mills	13.9 Mills

Source: See Table III-7

Notes: See Table III-7

Table III-9

The Impact of Maine's School Finance Law on School Districts
Ranked by 1973 Equalized School Tax Effort

School District Randed By 1973 Local Revenue/ State Valuation	State /Pupil		State as % of State-Local Revenue		Local Revenue/State Valuation	
	1973	1976	1973	1976	1973	1976
High Rate 1st Decile	\$ 287	\$ 723	35.9	62.2	39.4 Mills	22.8 Mills
2nd	321	678	40.6	59.4	24.0	13.6
3rd	295	657	38.2	57.2	20.8	13.8
4th	383	602	43.6	57.4	19.2	12.9
5th	301	571	44.1	56.5	17.8	13.3
6th	285	537	39.0	50.5	16.5	13.8
7th	174	390	26.2	36.9	15.1	13.1
8th	222	319	34.2	33.7	12.9	12.7
9th	142	220	16.1	16.2	10.1	12.2
Low Rate 10th	222	217	23.6	17.9	4.3	11.6
STATE AVERAGE (N=276)	\$ 263	\$ 489	34.1%	44.6%	17.9 Mills	14.0 Mills

Source: See Table III-7

Notes: See Table III-7

The principal local tax impact of the Maine school finance law has been to slow down the increase in school taxes. This has meant that the bulk of growth in local tax levies since the inception of the law has been for non-school programs.

As noted earlier in this report, the major impact of reform has been to ease school dependence on the property tax in Maine. In community after community and with the notable exception of the "pay-in" communities, we find that overall school taxes in 1976 were less than they were in 1973 or 1974. The major increase in state aid as a result of reform combined with the early spending controls in the law meant that Maine local taxpayers had to spend less of their property tax dollar for schools.

The lower local dependence on the school property tax, in turn, has resulted in two developments. First many communities used this major reduction in school property taxes to keep overall property tax increases to a minimum. Thus, in the 40 largest communities in this state, in terms of state valuation, overall property tax collections increased by only 16 percent during the four year period between 1972 and 1976.

At the same time, however, other communities turned their attention to financing nonschool programs. Thus, we estimate that between 1972 and 1976 approximately 58 percent of the overall increase in local property tax collections not including overcollection revenues in Maine was for financing nonschool programs. This expansion of non-school outlays, of course, diluted the local community tax relief that could be obtained from the Maine school finance reform, but it also allowed communities to exercise substantial local control over whether the property tax monies freed up by reform would be used for tax relief or the financing of local nonschool programs, the benefit of which would be primarily to local citizens in the affected community.

Finding: Maine total local taxes have increased at a modest rate since reform, and the bulk of this growth has been for nonschool purposes in most communities especially in urban areas.

Total Maine local property tax rates have declined by about 20 percent since 1973. This has been due to major increases in state valuation in most cities and towns but also due to a relatively small increase in total local property tax collections. Thus, total local property tax collections statewide

have increased by only 19 percent between 1972 and 1976 with the greater increases occurring in smaller rural jurisdictions. Our data indicates that outside of pay-in communities and smaller rural communities, the bulk of local tax collection increases in most communities have been for local nonschool programs. *Source: See Tables III-10 through III-13.*

Table III-10

Increase in Overall Tax Rates Since Adoption of Maine Finance Act

<u>Total Taxes Divided by State Valuation</u>			
City/Town Decile Average Ranked by <u>1976 Total Mill Rate</u>	<u>Mill Rate 1972</u>	<u>Mill Rate 1976</u>	<u>Mill Change 1972 - 1976</u>
High Rate 1st Decile	36.3	36.2	-- .1
2nd	31.2	27.5	- 3.7
3rd	30.2	25.1	- 5.1
4th	30.1	23.2	- 6.9
5th	27.4	21.6	- 5.8
6th	27.9	20.0	- 7.9
7th	25.7	19.0	- 6.7
8th	24.0	17.6	- 6.4
9th	22.8	16.4	- 6.4
Low Rate 10th	20.1	14.2	- 5.9
STATE AVERAGE (N=497)	27.6	22.1	- 5.5

Source: Data compiled from the 1972 and 1976 Municipal Valuation Return forms of the Property Tax Division of the Maine Bureau of Taxation. State valuations are also compiled by the Property Tax Division 1972 and 1976 State valuations are averages of the 1971-1973 and 1975-1977 state valuations.

Table III-11

Total Tax Collection Changes Since Adoption of
Maine Finance Act

City/Town Average Decile *	Total Taxes (000's)		Percent Change 1972 - 1976
	1972	1976	
1st Decile	\$ 2,697	\$ 3,142	16.5%
2nd	580	717	23.6
3rd	300	360	20.0
4th	189	243	28.6
5th	136	173	27.2
6th	97	115	18.6
7th	64	77	20.3
8th	38	48	26.3
9th	26	33	26.9
10th	14	19	35.7
STATE AVERAGE (N=497)	417	495	18.7

Source: See Table III-10

*Deciles are ranked on the dollar value of 1976 total tax collections.

Table III-12

School and Nonschool Tax Changes
 1973-1976
 Ranked by 1973-1976 % Change
 In School Taxes

School District Ranked By 1973-76 % Change of School Taxes by Decile	Nonschool Taxes (\$000)			School Taxes (\$000)		
	1973	1976	% Change	1973	1976	% Change
1st Decile	\$ 183	\$ 215	17.5%	\$ 75	\$ 320	326.7%
2nd	152	168	5.3	239	458	91.6
3rd	202	234	15.8	309	461	49.1
4th	460	512	11.3	550	706	28.4
5th	376	486	29.2	469	552	17.7
6th	995	1,176	18.2	961	1,047	8.9
7th	684	764	11.7	734	744	1.4
8th	398	492	23.6	510	474	-7.0
9th	299	358	19.8	462	394	-14.7
10th	47	69	46.8	113	71	-37.1
STATE AVERAGE (N=260)	374	448	19.8	443	499**	12.6

*Includes Overcollection Revenues

**Excludes Overcollection Revenues

Source: Data derived from the Finance Division of the Maine Department of Education and Cultural Affairs. Nonschool tax data are derived from the annual reports of the Office of Revenue Sharing. Nonschool taxes are aggregated to the school district level.

Table III-13

School and Nonschool Tax Collection Changes
Selected Maine School Units

<u>Locality</u>	<u>% Change in Nonschool Tax Collections 1973-1976</u>	<u>% Change in School Tax Collections 1973-1976</u>
Cities		
Portland	17.5%	10.3%
Lewiston	20.0	6.3
Bangor	32.0	1.2
Auburn	24.3	3.5
Augusta	14.3	13.9
Biddeford	25.5	-7.2
Suburbs		
Falmouth	58.9	8.8
Windham	84.8	8.1
Scarborough	30.3	14.2
Gorham	-16.6	-13.0
Hermon	11.0	24.0
Milford	111.7	-38.3
Old Town	8.9	10.4
Lisbon	11.4	9.5
Pay-in Towns		
Acton	-54.9	130.5
Wells	-24.8	95.8
Raymond	36.5	124.9
Jay	97.3	28.4
Blue Hill	55.3	30.5
Baileyville	56.2	88.4
Wiscasset	23.3	427.8
Rural Towns		
Medway	64.0	-20.8
Chelsea	21.6	16.4
Greenbush	67.3	-26.3
Eastport	113.8	-16.8
Caribou	25.7	-12.6
Arundel	25.5	6.7
Jefferson	19.7	47.1

Source: See Table III-12

Elderly eligible for the Maine circuit-breaker that are living on low fixed incomes have not been adversely affected by finance reform.

Data collected on the property tax relief payments made to the elderly under Maine's circuit-breaker program indicate that when an elderly couple or individual is eligible for relief payments, about 80 percent of their average declared tax bill is offset by these circuit-breaker payments. Thus, while many elderly in many large and urban communities have had to pay less overall property taxes as a result of reform, they also continue to have the Maine circuit-breaker as a major source of tax subsidy for any major increases in nonschool property taxes. The Maine elderly tax relief program has worked admirable in insulating the elderly from any property tax burdens that have occurred in the past several years in Maine.

The circuit-breaker, though independent of the Maine finance reform, is an essential tax relief tool to ease the local fiscal burdens of the elderly whenever local property taxes are raised for school or nonschool purposes.

Finding: Elderly taxpayers in Maine have had the major bulk of their reported taxes offset by the Maine circuit-breaker.

Data provided by the Maine Department of Taxation indicates most elderly eligible for tax relief payments under Maine's circuit-breaker program have about eighty percent of their reported tax bills offset by this program. This program, therefore, is an important factor in reducing property tax burdens that the elderly face in some larger urban communities where overall property tax rates are sometimes higher and in those communities that have to increase their tax payments as a result of the overcollection features of the present Maine law. Source: See Table III-14.

Table III-14

Fiscal Relief Provided by Maine Circuit-Breaker 1973-1976

<u>Selected City or Town</u>	<u>Average Refund</u>		<u>Refund as % of</u> <u>Elderly Property Tax a/</u>		<u>Refunds as Mill Rate</u> <u>on State Valuation</u>	
	<u>1973</u>	<u>1976</u>	<u>1973</u>	<u>1976</u>	<u>1973</u>	<u>1976</u>
Augusta	\$ 205	\$ 202	81%	80%	.6	.5
Bangor	228	236	80	77	.8	.7
Hallowell	177	196	82	86	.8	.6
Jay	162	167	82	79	.1	.1
Lewiston	211	206	78	78	1.0	.8
Millinocket	209	215	79	80	.2	.2
Orono	208	205	76	75	.3	.3
Rangeley	137	163	82	82	.2	.2
Wells	207	216	71	70	.2	.1
Wiscasset	252	183	80	82	.1	.0
York	239	264	84	72	.1	.1
AVERAGE CITY OR TOWN	\$ 178	\$ 181	82%	81%	1.7	.6

Source: Data compiled by the Income Tax Division of the Maine Department of Taxation

a/: Elderly property tax payments are all payments reported by homeowners and 25% of all reported rent payments for renters.

Finally, it is clear that Maine's school finance system is highly sensitive to changes in the property wealth of Maine's school district. Yet the fact the state equalized valuations have experienced such major increases in recent years, particularly in small rural areas which have poor local property assessment practices leads us to conclude that much of the public dissatisfaction with the uniform property tax should not be directed at Maine's school finance program but rather poor local assessment practices in the state.

When communities are ranked on the basis of their relative property wealth per pupil, one finds that very wealthy districts have experienced major losses in state school aid as a result of the "pay-in" features of the state's finance program. At the same time most middle and low-valuation communities have experienced a doubling of their school aid since the Maine finance reform was enacted. The basic school funding program, therefore, does result in substantial equalization of state resources to low-valuation communities.

At the same time, we are mindful that there have been major, indeed phenomenal increases, in state valuation in the last several years. In many cases this increase in state valuation has outstripped the growth of personal income in the state, making many people feel that rising property values are simply not indicative of their economic well-being. At the same time it must be remembered that the bulk of wealth in Maine is in the form of property, much of it not held by residents of Maine. A state valuation process must accurately record increases in value if the state is to adequately judge the relative property wealth of Maine school districts under the new finance reform law. Lack of an adequate valuation process would make a mockery of the property wealth equalization of the present law.

These increases in state valuation are a source of local concern, since a school district's subsidy is inversely related to its equalized property valuation. And for the state as a whole, higher valuations will mean higher uniform property tax revenues, a decrease in the uniform property tax rate, or a combination of both. The 55.3 percent increase in total Maine state valuation between 1973 and 1977 is not out of line with the national increase in taxable property values of 52.7 percent for the same years. Yet increases in Maine state valuation have not been uniform across the state. Smaller communities have been experiencing more rapid increases in equalized value than larger communities, on the average. Maine cities with valuations in excess of \$100 million in 1976 above averaged increases in state valuation of about 40 percent between 1972 and 1976. For all other communities, the average increase was about 60 percent.

The more rapid increase in state valuation in smaller communities is probably due in part to more rapidly rising demand for land in these communities than for property in the state's larger urban areas. But it also appears that the higher rates of increase in smaller communities are partly a response to historically poor local assessment practices in these communities. The state's smaller communities have consistently displayed low average assessment ratios and poor local assessment quality indices, the former indicating local assessed values substantially below market value, and the latter indicating wide variations in assessment levels among local taxpayers. Prior to the increased visibility of state valuation accompanying the uniform property tax, and prior to the state's new real estate transfer tax law, state valuation figures were apparently unduly influenced by poor local assessment practices.

In the absence of really sound information on market values, the Property Tax Division had no choice but to follow a conservative policy in estimating state valuations. Undeveloped land in smaller communities often was assessed locally at only a minute fraction of market value. To use the assessment ratio simplified by these values to estimate market value for the whole community would have been questionable because of the absence of good market value data. Now that the state's property value data base is improving, the Property Tax Division is better able to estimate market values, with the consequence that some artificially low state valuations have been adjusted upward over the past few years to more accurately reflect market value. The state's continuing effort to upgrade the quality of state valuations will be aided by mandated improvements in local assessment quality, to the extent that these actually occur. If the state's assessment quality improvement program is successful, local assessment ratios should more closely approximate market value, so that wrenching adjustments in going from local values to state equalized value will not be necessary, as they have been recently.

While accurate state valuations are essential to equitable functioning of the uniform property tax and the state's school subsidy program, they are also essential to several other state programs which involve the distribution of funds; these include state-municipal revenue-sharing, state aid for highway construction and improvement, state aid for snow removal, and state aid for general relief expenditures. In addition, county taxes are distributed among municipalities in accordance with state valuation. The non-education state aid programs amounted to nearly \$18 million in fiscal year 1977. County taxes in 1975 amounted to about \$7 million. Errors in state valuation would thus have the potential of shifting substantial amounts of funds among

municipalities. Equity requires that potential errors be minimized, and the state's recent improvements in state valuation processes have moved a long way in this direction. Further improvements could be made if the Legislature would provide the Property Tax Division with a local property classification system consistent with the Bureau's vastly improved market value data.

The move for improved assessment quality has been building in Maine for many years. The 1973 reforms in property tax administration were the culmination of many years of study and reflected the recommendations of several earlier reports. Although the Legislature chose to back away from the concept of mandatory assessment districts in 1975, the state's commitment to improved assessment quality continues in the form of gradually more stringent local assessment standards. Enforcement of these standards in a manner that will foster a long term commitment to higher quality assessment in the state would enhance considerably the equity of both state and local property tax burdens. The Legislature should consider re-emphasizing its commitment to implementing the Constitutional requirement that property taxes be levied uniformly in proportion to just value by providing the resources needed by the Property Tax Division to aid local assessors in improving assessment quality through improved practices, through the availability of tax maps and a mandated classification system, and through expended training opportunities.

In summary, our data indicates that most local property assessment practices in Maine are of a very low quality. Certified local assessment ratios have little real meaning in the state, and local assessment quality in many small and rural jurisdictions throughout the state is exceptionally poor. The lack of local assessment quality, the low levels of local property assessment when compared with major increases in equalized state valuations has been a major factor in public discontent with the uniform property tax.

It is clear to us that the Maine Legislature must once again face up to the problem of local assessment modernization in the state. Overall local assessment ratios must be improved to better reflect the rises in true market values of Maine property. Local assessment quality must be improved in order for the general public to have confidence in their tax treatment under the uniform property tax. And

finally, the Maine Department of Property Taxation should embark on a program of deriving equalization ratios for local property in a community by the class of property in a given community. It seems clear to us that a good deal of the property market in Maine, particularly coastal and undeveloped property, has been increasing in value due to considerable speculation. And while the increase in such values rightly adds to the community's tax base, the Property Tax Department should take all necessary steps to insure that the economic activity in one part of a community's property roll does not artificially inflate the overall property values of a community.

In short, the Maine Legislature must once again scrutinize the state valuation process and take steps to improve overall local property assessment techniques if it is to bolster public confidence in the state valuation process and the Maine school finance reform law.

The Maine school finance law has taken some unjust criticism because of the turmoil surrounding the state valuation process. Such criticisms are simply not warranted; but it should be up to the state Legislature to insure the basic soundness and fairness of state valuations in administering the uniform property tax and operating its basic school funding program.

Finding: The Maine finance law is very responsive to the relative state valuation of a community. However, rapid rises in valuation in smaller and rural communities combined with the relative poor quality of local assessments in these communities make it probable that many citizens will feel that the uniform property tax has been a major tax problem for them.

As school district per pupil valuation increases, local school districts receive less operating aid per pupil. Indeed, very rich communities have experienced major pay-in to the state on a per pupil basis. The law, therefore, seems very responsive to the relative property wealth of a local community.

Data on increases in state property values indicates that the bulk of property valuation increases have been in cities and towns with relative small total state valuations. Thus, while state valuations have increased by about 41 percent between 1972 and 1976 in the state's largest municipalities, they have increased by well over 60 percent in most other places with small or medium-sized valuations. Moreover, the relatively low assessment quality in districts experiencing major increases in state valuation may account for much of the rural and small community concern with rising valuations and rising uniform property tax payments. *Sources: See Tables III-14 through III-17.*

Table III-14

Responsiveness of State Aid to Per Pupil Valuation Levels
1973-1976

School District Decile Average Ranked Valuation/ Pupil 1973-1976		State Operating Aid Per Pupil		
		<u>1972-1973</u>	<u>1975-1976</u>	<u>Dollar Change 1973-1976</u>
High	1st Decile*	\$ 132	\$ -1,955	\$-2,087
Wealth	2nd	147	- 24	- 171
	3rd	117	83	- 34
	4th	180	301	121
	5th	215	490	275
	6th	233	481	248
	7th	291	581	290
	8th	350	604	254
	9th	397	713	316
Low Wealth	10th	523	583	60

*Total number of districts = 260

Source: Data compiled from the Finance Division of the Maine Department of Educational and Cultural Affairs and the Property tax Division of the Bureau of Taxation.

Table III-15

Valuation Changes Since Adoption of Maine Finance Act

City/Town Decile Average Ranked by 1976 Total Valuation	Total Valuation (000's)		Percent Change 1972-1976
	1972	1976	
1st Decile	\$ 85,556	\$120,402	40.72%
2nd	22,304	33,888	51.94
3rd	11,177	18,424	64.85
4th	7,792	12,672	62.62
5th	5,176	8,512	64.45
6th	3,416	5,541	62.23
7th	2,160	3,649	68.93
8th	1,482	2,375	60.20
9th	932	1,438	54.29
10th	537	766	42.64
STATE AVERAGE (N=497)	\$ 14,159	\$ 20,888	47.52%

Source: State valuation data compiled by the Property Tax
Division of the Bureau of Taxation - Maine.

Table III-16

Assessment Ratio Characteristics for Towns Ranked by Change
in State Valuation, 1972-76

<u>Town Decile Average Ranked by Percent Change in State Valuation 1972-1976</u>	<u>Assessment Certified Ratio, 1976</u>	<u>1976 Assessment Average Ratio</u>	<u>1976 Assessment Rating Quality*</u>
High Change 1st Decile	74%	39%	66
2nd	60	35	82
3rd	77	40	79
4th	59	56	67
5th	65	39	85
6th	90	39	84
7th	65	42	63
8th	57	40	66
9th	76	53	65
Low Change 10th	64	47	47
STATE AVERAGE (N=497)	69	43	71

Source: Data compiled by the Property Tax Division of
the Bureau of Taxation - Maine.

*This assessment quality index is computed by the Property
Tax Division, the Higher the quality rating the more uneven
local assessment practices are in the city or town.

Table III-17

Relative Changes in Per Capita Income
And Per Capita State Valuation

Municipality Ranked By % Change in Per Capita Income 1969-74	Per Capita Income			Per Capita State Valuation		
	1969	1974	% Change	1971	1976	% Change
1st Decile	\$ 1,385	\$ 2,722	102.6%	\$ 8,300	\$15,270	72.5%
2nd	1,948	2,809	44.9	6,915	12,015	76.7
3rd	2,060	2,604	26.3	4,904	7,793	54.7
4th	2,544	3,123	22.8	7,987	13,088	60.6
5th	2,216	2,655	19.8	6,539	10,732	67.5
6th	2,326	2,752	18.3	6,596	10,247	60.0
7th	2,432	2,838	16.7	8,747	15,309	65.7
8th	2,364	2,719	15.0	6,066	9,808	65.7
9th	2,449	2,751	12.3	8,101	12,296	61.6
10th	2,801	2,558	-5.1	10,394	22,002	54.5
STATE AVERAGE (N=470)	\$ 2,253	\$ 2,753	27.3%	\$ 7,457	\$ 12,875	63.9%

Source: Data compiled by the Property Tax Division of the Bureau of Taxation and per capita income information from annual reports of the U.S. Office of Revenue Sharing - Maine.