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November 7, 1977

THE UNIFORM PROPERTY TAX: REPEAL OR CONTINUANCE?

Central issues raised in this December's vote on the repeal of the Uniform Property Tax (UPT) are:

- A. Should the Uniform Property Tax (UPT) be repealed?
- B. If the UPT is repealed, how will the School Finance Act be amended?
- C. If the UPT is repealed, how will the state fund the \$6-7 million that will no longer be collected from "pay-in" communities and the unorganized territory.

This packet discusses each of these issues. It was assembled in response to repeated requests for background materials on the Uniform Property Tax. It is hoped that the different sides of the UPT issue and the possible ramifications of its repeal are adequately expressed. If errors are noted, please contact this office.

The Legislative Council has requested that these materials be distributed to Legislators and to the public.



A. SHOULD THE UNIFORM PROPERTY TAX (UPT) BE REPEALED?

The background materials on the issue of whether or not the UPT should be repealed are:

		PAGES
1.	The 1976 Report of the Joint Select Com- mittee on State Tax Policy, pages 2-1 to 2-15, which describe the UPT and rec- ommend that it not be repealed.	A-1 to A-15
2.	Two minority reports from the 1976 Report of the Joint Select Committee on State Tax Policy, by:	
	A. Rep. Bonnie Post and Philip Hussey, Jr.; and	A-16 to A-18
	B. Senator Philip L. Merrill.	A-19
3.	A comparison of property values in Maine towns and the percentage of all Maine students in those towns.	A-20
4.	The general effect on property taxes since passage of UPT.	A-21
5.	Which school units did not need to raise <u>local</u> property taxes (non-UPT) to fund schools? All other units decided the School Finance Act subsidy did not pro- vide sufficient funds and voted extra, local, dollars for education.	A-22 to A-23
б.	Who pays the Uniform Property Tax: a a rough estimate as to the <u>kinds</u> of property that make up our property tax base.	A-24 to A-25

7. A short summary of the findings of the A-26 to A-27 1977 Select Committee on State Property Tax Valuation. The State Valuation, among other things, is the base against which the UPT is levied. This is taken from the Statement of Fact of LD 1608, which embodied the committee's recommendations. LD 1608 was defeated.

- A-27 to A-32
- 8. Arguments for and against the UPT: a "debate" on the UPT prepared by Committee on Taxation staff. Arguments for the UPT are given the stronger "rebuttal" position in the debate.
- 9. A short summary of the 1976 School Finance A-33 Act
- 10. <u>All</u> Uniform Property Tax Revenues Are GeneralA-34 Fund Revenues



STATE OF MAINE

JOINT SELECT COMMITTEE ON STATE TAX POLICY

1. Introduction

Of all the tools of government, taxes can be the bluntest, the most unwieldly. Often their burdens fall unfairly, without recognition of our differing situations. The sales tax cannot distinguish between the person who lives frugally and the person simply too poor to buy many goods. The property tax cannot distinguish between the family house that has been held for generations and the lot purchased for quick development. The personal income tax reflects cash flow and family size but can tell little of a person's wealth in stocks or bonds. Alone, the income, sales or property tax can be an unfair levy; but taken together in a balanced tax structure they can greatly improve the chances that each of us will be taxed according to our "ability to pay."

The recommendations of this report . . .

continued, page 1-1

A PROGRESS REPORT ON MAINE'S STATE AND LOCAL TAX STRUCTURE

DECEMBER 1976

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2. A PROGRESS REPORT ON THE CURRENT STATE TAX STRUCTURE

§1. Introduction

BECAUSE MAINE IS A LAND RICH, INCOME POOR STATE, THE CURRENT MIX OF BROAD BASED STATE TAXES - SALES, INCOME, PROPERTY - IS ACCEPT-ABLE AT THIS TIME. When judged against the standards articulated by the 1975 Report of the Governor's Tax Policy Committee $\frac{1}{}$ - taxation based on each person's ability to pay, efficiency of administration, and maintenance of a competitive business climate -Maine has made considerable progress in recent years. We have a progressive personal income tax, a broad-based sales tax that, because it $\frac{2}{}$ exempts food, does not seem too regressive, and a broad-based state property tax (The Uniform Property Tax). Our current state - local tax structure (1975-76) is:

1/ The Report of the Governor's Tax Policy Committee 5-19(1975)[herein-

2/ Tax Policy at 18.

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1975-76 STATE - LOCAL TAX STRUCTURE *

			API Perc	prox: centa	ımat age	e of
Tax		Revenue	Total	Tax	Rev	<u>venuc</u>
Property:						
State Property	\$	132,139,539.15		19	К	
(includes Uniform Property						
Tax - \$120 million)						
Municipal Property		100,935,944.00 **		14	٤	
Municipal Auto Excise Tax		22,507,798.00 **		3	£	
Municipal Inventory and						
Livestock		12,595,344.00 **		2	£	
Spruce Budworm Tax		2,837,259.00		• 4	<u>2</u> &	
Total Property Taxes	\$	271,015,884.15		39		,
State Sales	·	151,335,808.52		22		-
Personal Income		52,266,430.03		7.3	3£	
Unemployment Compensation Tax		35,537,656.00		5	9	
Corporate Income		32,642,106.92		5		
Highway Fund		52,283,138.51		7.3	3 8	
Alcoholic Beverage Operations		22,933,750.01		3		
Motor Vehicle Lic. & Reg.		22,128,483.95		3		
Cigarette		23,935,432.43		3.4	15	
Others ***		37,369,389.26		5	_	
Total	\$	701,448,079.73	. 1	.00 i	J	

* All figures from State Bureau of Taxation - Property Tax Division and State Controller's Fiscal 1975-76 computer data.

** 1975 figures used as 1976 data unavailable.

*** Other taxes include:

Inheritance	\$ 7,361,635.75
Milk Taxes	509,528.98
Corporation Regulatory Taxes	516,532.19
Public Utility Taxes	10,282,860.86
Insurance Co. Taxes	8,369,557.92
Bank Taxes	211,470.16
Game License Taxes	91,893.01
Harness Racing Pari-Mutuel	1,300,890.84
Service Oriented Licenses	2,053,916.07
Fishing & Game Licenses	4,649,401.75
Misc. License Fees	2,021,701.73
TOTAL	\$ 37,369,389,26

When you consider that by 1977 we will be raising about \$18 million more than in 1975 from $\frac{3}{4}$ the general mix of Maine taxes seems somewhat balanced. We are a state tax rich in land yet currently too poor in income to relax our general reliance on the property tax. As our economy expands and personal incomes significantly increase, then the state tax mix would provide a greater role to the personal income tax.

⁷<u>See</u> Chapter 661, Public Laws of 1975. If this estimated increase in the personal income tax is added to the tax mix, then the relationship of our three broad-based taxes is changed accordingly:

Total property taxes Personal income tax Sales tax 388 ≤⇒(108) (1431) 218

This point of view was articulated in John Robinson's and John O'Sullivan's minority report to the Governor's Tax Policy Report:

Maine currently stands 45th of all the states in per capita income. In addition to a lower wage level Maine has a larger proportion of citizens over age 65 than most other states. At the same time we live in a "property intensive" state. We do not agree, therefore, that the "fundamental reform plan" shall be "the shift from property taxes to income taxes," or that the property tax is regressive. It is our opinion that the introduction of a "circuit breaker" with a family income limit, a home valuation limit and an overall State expenditure limit can provide relief for homeowners not able to pay their real estate taxes and at the same time make sure that the property tax is based on "ability to pay" as measured by the value of real property owned.

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HOWEVER, BECAUSE THE GENERAL TAX STRUCTURE IS STILL REGRESSIVE, CHANGE IS NEEDED. §2. Improvements

Still, there is much improvement needed. $\frac{5}{}$

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The Lile study — makes this clear:

			J	MAINE FA	MILY	TAX BU	JRDEN	S, BY TYI	PE (F TAX			Percent	age
Fam (Ad gro	ily jus ss	y of four sted income)	Ind Ind S	ividual come tate	Ge S	neral ales tate	Res P:	idential ² roperty	N 	lotor hicl es	C e	igar- tte Tax	Total Tax Burden	
A. B.	\$	5,000	\$	0	\$	89 118	\$	3 9 2 525	\$	133	\$	60 60	13.5% 11.3%	a to a state of the state of th
Č. D.		10,000		39 228		144 211		574 980		133 199		60 60	9.5%	
F. F.		25,000 50,000	2	574 788		250 363		1225 2100		199 199		60 60	9.68 11.08	<u>7</u> /

Our recommendations will help spread the burden of Maine taxes more fairly. Some of our suggestions will call for tax increases but these monies will not be spent on increased government expenditures but rather will be used to lower other taxes or soften their burden on those least able to pay.

- 5/ Stephen E. Lile, Family Tax Burdens Compared Among States and Among Cities Located Within Kentucky and Neighboring States, Kentucky Department of Revenue (1975). The chart presented in this report was updated by the committee staff in an attempt to reflect the increase in personal income tax rates established by Chapter 661, Public Laws of 1975.
- <u>6</u>/ Property tax estimates are based on these income/house value parings: \$5,000/14,000; \$7,500/\$18,750; \$10,000/\$20,500; \$17,500/\$35,000; \$25,000/ \$43,750; \$50,000/\$75,000.
- 7/ This finding, that the poorest people in Maine pay the highest percentage of their income in taxes, is enforced by the State Planning Office's conclusion that over the years 1967-1973 the Maine household in the top quarter income brackets gained \$600 more in constant purchasing power than did the bottom 25%. See State Planning Office, Profile of Poverty -Maine: A Data Source 5 (1975).

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This means that Maine's total tax burden will not be increased but rather that burdens will be shifted. This does not mean, however, that burdens will shift only from the less fortunate to those more able to pay. We will be looking again in Chapter 3, Section 1 at last session's personal income tax increase in order to make sure that its rates were not unfairly burdensome on certain middle income brackets. But, before we describe what <u>ought</u> to be done, it is very important to tell what we feel <u>ought not</u> to be done. And that is: The Uniform Property Tax (UPT) should not be repealed.

THE UNIFORM PROPERTY TAX IS A STATE, BROAD-BASED TAX THAT, WHEN COMBINED WITH THE IN-COME AND SALES TAXES, MORE ACCURATELY REFLECTS EACH PERSON'S "ABILITY TO PAY".

THE UPT RAISES FUNDS FOR EDUCATION, IT DOES NOT DETERMINE HOW MUCH MONEY EACH TOWN RECEIVES FROM THE STATE.

§3. What is the role of the Uniform Property Tax (UPT) in financing education?

In 1973, in L.D. 1994, the state dramatically changed the education finance laws. It created a new system to distribute to each locality 100% of their basic education needs, and a new system to raise from a state property tax approximately 50% of the money they would be distributing. Today, the system of distribution is called the School Finance Act of 1976; and the Uniform Property Tax (UPT) is the method

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the Act uses to raise no more than half of its costs.

This is an important distinction: one part of the School Finance Act distributes the money, one part of it, the UPT, raises it. In no way does the UPT influence how much each locality receives. But before examining how the UPT mill rate is set, we should understand the significance of the School Finance Act's distribution system.

 $\frac{8}{2}$ The School Finance Act provides from the state the basic minimum expenditure for education This level is set by that each locality must make. the Legislature and the Governor after they receive information from the localities as to the amount actually spent in the previous year. This, not the UPT, is the most profound change brought about by the School Finance Act. Why? Because before 1973, when the state was providing only approximately one-third of the basic cost of education, then many property poor towns had to struggle to raise the other two-thirds from the local property tax. And some could not.

6/ For a more detailed explanation of the school funding process, see Appendix A. "Capsule Description of the 'School Finance Act of 1976'".

2-6

The result was that the education resources a child could expect depended a great deal on where he or she lived. A wealthy town could have a generous school budget, a poor town could not. In many other states, courts had demanded that similar conditions be ceased: "the quality of a child's education [should not be] a function of the wealth of his parents or neighbors."

The role the UPT has played in this distribution system is to raise no more than 50% of the School Finance Act's basic education allowance. The UPT is a broad-based state tax. This year, at 13 mills, it raised 45.4% of the state's basic education grant. Even though the UPT's mill rate is set according to what the state calculates will be approximately one half of the cost of education, the UPT's revenues are <u>not</u> dedicated. They are general fund dollars and

9/ Serrano v. Priest 487 P. 2d 1241 (1971). This California decision was based on the finding that such unequal conditions violated the 14th Amendment's equal protection clause. Subsequently, the U.S. Supreme Court said education was not a federally protected fundamental right. However, the court did say that some state's school finance laws were inequitable and should be addressed by each state legislature. Since then many states have been challenged in court under the theory that the state's constitution specifically raised education to a fundamental right. Maine's constitutional language - "A general diffusion of the advantages of education being essential to the preservation of the rights and liberties of the people..." - certainly seems to encourage such an interpretation. are mixed with our other broad-based taxes the sales and income taxes - and used to pay to each town <u>100%</u> of their basic education cost. From a tax policy point of view this is very important; because it means basic education in Maine is being paid by a combination of broad-based taxes. Thus, each person's contribution to education is determined in part by his income, by how much he consumes, and how much property he possesses. This is a much better indication of "ability to pay" than in the days before the first school finance act in 1973, when approximately two-thirds of each town's education costs were raised by the local property tax.

<u>§4. How is the Uniform Property Tax (UPT)</u> administered?

In 1976 the UPT raised approximately \$120 million.

(THE ''''T IS A STATE TAX BUT ONE THAT IS COLLECTED BY EACH TOWN, WITH THE REVENUES BELONGING TO THE STATE'S GENERAL FUND. ITS MILL RATE IS DETERMINED BY THE STATE'S VALUATION OF ALL PROPERTY IN THE STATE. THE YEARLY STATE VALUATION PROCESS ENCOURAGES ACCURATE LOCAL ASSESSING PRACTICES. This is how, generally speaking, the state determines how much it will be:

- Α. First, state assessors compute the total market value (just value) of the property in each Maine community. They cannot just take the local assessor's figures because few Maine towns maintain their assessments at 10/ fair market value. Thus, the state assessors must raise each town's total property value to approximate what it would be if it were sold on the open market. In doing so they try to adjust for any possible errors the local assessors might have made.
- 10/ If one local assessor values his town's property at 40% of its market value and the other town assessor uses a 80% ratio, then the former town's mill rate will be double the latter town's rate.
- 11/ When a local assessor values property at only a small percentage of its true market value, it is much easier to make a mistake.

The state then adds together the full market values of all the properties in all the towns, and arrives at a yearly <u>state valuation</u>. A very important benefit of this state valuation process is that it encourages localities to keep their property valuations as accurate as possible. Without accurate assessing at both the local and state level, true property tax equity is impossible(see chapter 3, §3)

Doesn't in actuality

> B. Then the state computes the total cost of a basic education for each of the different types of students in Maine (e.g. grade school students, special education students, etc.). This figure is set by the Governor and the Legislature after they receive information on the amounts actually spent the previous year. The state then calculates what Uniform Property Tax (UPT) mill rate, when multiplied by the state valuation, would raise approximately 50% of the revenues needed. Last year the UPT raised 45.4% of the basic education allocation.

C. If the UPT were strictly a state tax, the UPT mill rate (last year it was 13 mills) would be levied directly on each property owner in the state. But because the loc

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assessors collect our property taxes, the state simply tells each town how much its residents owe the general fund. (Last year it would have been 13 mills x the town's state valuation). Then each town, using its own values and its locally voted mill rate assesses the tax. Thus, the UPT. is collected along with town's local property Some localities, relatively rich in tax. real estate value, collect more than is needed for their own schools and they have been called "pay-in" towns. But this is a misleading term because the UPT really is paid by individual property owners through the municipal collection process. Each town pays at the same rate. Indeed, under the UPT, all property holders are like those of us who pay an income tax or sales tax. Each tax is a state tax.

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D. Finally, if a town feels its basic education grant from the state is not sufficient it may tax itself an additional amount through the local property tax. Probably the reason some people continue to think of the UPT as a local tax is that almost all of the revenues raised by it are never

2-11

A-12 actually sent into the state's general fund but rather kept at the local level as part of the locality's basic education grant from the state. The reason for this is simply administrative convenience. Why actually forward the dollars to the state's general fund when they would just be sent back

again?

§5. The UPT - a summary of its effects.

We can now see the profound change the UPT has made possible in education funding:

- A. Each locality's basic cost of educationis now coming from the state's general fund.
- B. Because practically all education is now being funded by general fund monies a mixture primarily of income taxes, sales taxes, and Uniform Property Taxes the cost of education now better reflects each citizen's income, consumption and property holdings. And that is a greatly improved indication of "ability to pay".

Thus, the UPT's role is only the first of two steps in financing education in Maine: the UPT only raises money; it does not in any way affect how the education dollars are allocated $\frac{12}{12}$ to the localities.

THE UPT ONLY RAISES EDUCATION FUNDS. OTHER PARTS OF THE SCHOOL FINANCE ACT DISTRIBUTE THE FUNDS AND REQUIRE THE MINIMAL EXPENDITURES.

^{12/} The report of the 1976 Governor's Task Force on Tax Policy seems to be unclear as to the nature and role of the UPT. If the UPT were repealed, yet the School Finance Act left otherwise unchanged, each community would still receive the same basic education grant from the state. The money would simply have to be raised elsewhere.

Now, this does not mean the UPT is a flawless system for raising education funds. The state valuation, upon which the UPT mill rate is based, must be accurate and in Chapter 3, section 3 we make a strong recommendation in that area. Further, the Uniform Property Tax, which makes up about 19% of the general fund, often causes an unduly heavy burden on low income homeowners and renters, and in Chapter 3, section 2, we also address that problem. But before dealing with those problems, we must confront clearly a charge that threatens the equity achieved by the UPT even more than the above problems. That charge is: the UPT lessens local control of education and fiscal responsibility.

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§6. The Uniform Property Tax does not lessen local control of education.

It can be seen clearly now that the UPT alone has no real effect on local control of education. The UPT is only a funding mechanism. It does not distribute education dollars. It does not set the spending level below which no locality can drop its education efforts. These latter functions are other aspects of the School Finance Act.

THE UPT IS A MORE EQUITABLE WAY OF TAXING. IT IS NOT AN EDUCATION TOOL AND HAS LITTLE RELATION TO "LOCAL CONTROL". So, as to whether most towns could now lower their taxes by voting to spend less on education, the repeal of the UPT alone would not accomplish $\frac{13}{1}$ this. The UPT is separate from the School Finance Act's minimum education expenditure requirement and is not involved in issues of local $\frac{14}{1}$ control.

- 13/ If the UPT alone were repealed, yet the rest of the School Finance Act kept in place, what would be the result? This would mean the property tax was no longer a state levy, and that each property holder in the state would no longer be paying at generally the same rate. Persons living in property rich towns would have a lighter property tax burden; persons in poorer towns might be more sorely taxed. The fairness of the Maine tax structure might be lessened. This would depend on how the Legislature decided to replace the lost UPT revenues. If it returned entirely to the local property tax for approximately 50% of the costs of basic education, the tax structure would become more inequitable. If it made up the UPT revenues with a combination of local property taxes and, for example, personal income taxes, the equity of the Maine tax structure might even be improved. The personal income tax is our most accurate broad-based tax. But this assumes that the local property tax is accurately assessed and we have already emphasized the important role the state valuation process and the levying of the UPT play in improving local assessment practices (see Chapter 2, section 4, ¶A).
- 14/ The organization Save Our State is currently seeking signatures for an initiated bill that would only repeal the UPT but leave the rest of the School Finance Act functioning.

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Thus, in recommending that the UPT not be repealed, the committee is not arguing for any particular theory of how the state should distribute education dollars. Our concern is tax equity not education equity. The UPT helps assure that each of us is taxed more equally for the costs of education and that our total state tax bill is more reflective of our "ability to pay". This the committee endorses and hopes will continue.

Finally, even if the state increased its non-UPT share of education funding from 54.6% to a percentage that would mean there would no longer be any localities that raised from the UPT more than its own school needs (no more "pay-in towns"), still the UPT should not be repealed. Not only is it an equitable way to raise state revenues but its administration - the yearly state valuation process and levying of the tax - offers great encouragement to localities to keep their local assessments accurate. And without accurate assessments, there can be little property tax equity, either at the state level or the local level (see chapter 3, §3).

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MINORITY REPORT FROM REPRESENTATIVE BONNIE POST AND PHILIP HUSSEY, JR.

The purpose of this report is to set forth the reasons why the minority of the committee favors the abolition of the Uniform Property Tax.

The School Finance Act (L.D. 1994) made fundamental policy decisions in two major subjects of Legislative concern. They are educational policy and tax policy. We recognize that the State has a constitutional obligation to see that each of its subdivisions in fact provides an adequate basic elementary and secondary school program. Furthermore, when communities are financially unable to do so, it is the obligation of the State to raise and appropriate sufficient money to give the necessary assistance. We support these provisions in the present law and feel that such provisions should be retained and be adequately funded from the State's regular general fund resources.

Our primary disagreement with the present law is with the tax policy features, specifically the State Uniform Property Tax. It should be noted that L.D. 1994 and its successors all have been the product of the Joint Standing Committee on Education. In our opinion the Legislature has made a fundamental and grievous error in tying these two major policy areas together in one law. It should separate the two and deal with each on its own merits.

When the Legislature passed the Sales Tax in 1951 it made the commitment to no longer collect a property tax from its municipalities and left to them the resource of real estate property tax revenues in the organized territories. The School Finance Act was the first step in backing down on that commitment and the recommendations of the majority of this committee would abandon it totally.

The School Finance Act provides for a State decision on a per student basic educational allowance and a State decision on what percentage of that allowance and other State educational subsidy should be raised by the Uniform Property Tax. When the State sets its mill rate, it is assessed against the municipality based on *sust* value or what the State feels the property in that municipality would be worth if it were sold. The municipality then raises enough money from its valuation to pay the bill. Thus, the Uniform Property Tax is a tax on municipalities not on individuals.

Using the basic education allowance, other costs and some estimates, as approved by the Legislature, the Department of Education computes how much each school unit is to receive. The first money a unit "receives" is the money raised by the State Uniform Property Tax on its own property. If that doesn't meet the State computed figure, the unit receives a subsidy from the State. If a unit raises more money from the Uniform Property Tax than the State figure, it pays in the excess to the State. In fiscal year 1976-77 approximately 112 million of the State imposed Uniform Property Tax remained in the <u>units</u> where it was raised and the state actually distributed approximately 150 million additional in subsidy. Of this 150 million, 145.5 came from the general fund revenues and 4.5 million came from school units, which raised more from the State Uniform Property Tax than the state computed they should be receiving.

All of the money raised under the UPT is a true State tax in that municipalities have no control over the levy. However, it is only the 4.5 million which would have to be replaced if the UPT is repealed and the level of state wide subsidy to schools is to remain at the same figure as last year.

We feel that this repeal should take place for the following reasons:

1. The Uniform Property Tax removes local control of taxation.

The majority report contends that the UPT does not lessen local control of education while ignoring the question of local control of property taxation. Clearly, local communities no longer have any power over the largest percentage of their property taxes. In some communities, as much as 90% of a property tax levy is 'dictated' by the State.

2. The UPT encourages fiscal non-responsibility.

It's poor practice for several levels of government to use the same tax since each can then point to "the other guy" as being responsible for the high level of taxation. In this case, citizens are frustrated as they go from place to place trying to control the taxes on their homes.

Fiscal non-responsibility is further encouraged in this particular situation by the fact that the complexities of the law cloud the relationship between state action and the ultimate level of an individual's property tax bill.

3. The complexities of the law discourage fiscal responsibility.

The examples could be many. For instance, citizens are told that 90% of regional vocational education is funded by the State. In fact up to 50% of the 90% which is the "State's" share comes from the UPT in the first place. Additionally, basing State obligations on prior years State costs plus local expenditures provide a built in escalation of State expenditures.

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- 4. Moving the decision on the level and method of taxation from the local to the state level increases the possibility that extraneous factors will become involved in what is a political decision.
- 5. The fundamental political decision on the amount of money to be raised for education through property taxes should be made on the local level, since the governing bodies are more representative of the people who actually receive and pay for the service.
- 6. The State Valuations of the municipalities are at best the "expert opinion" of a very few civil servants employed by the Bureau of Property Taxation. The only way the State can insure the "uniformity" it seems to desire is to assume the valuation of all property in the State. Not only would State valuation of all real property represent the ultimate loss of local control of taxation, it would be immensely expensive.
- 7. The State Valuation identifies certain coastal, lakeside and other areas wealthy in land value. When taxes are collected and disbursed within a community this causes some problems but the UPT by taxing "wealthy" Matinicus to subsidize "poor" Cape Elizabeth is setting a social policy with which we do not agree.

When the State insists a community be taxed on just value or what its land would be worth if sold, it forces that community to increase its taxes accordingly. Property is a measure of ability to pay only when the property is sold and in many cases, that is what the UPT is forcing people to do.

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8. The Uniform Property Tax is shrinking the tax base of some communities.

Individuals are taking advantage of such programs as conservation easements to escape the effects of the UPT. These types of programs have the added effect of shrinking the tax base of the municipalities. It should be noted those individuals who are most likely to place their property in these types of programs are wealthy with large land holdings.

9. By extending State control over a large percentage of the property tax revenue available to a community, the UPT has decreased the amount of revenues in many towns available for needed services.

In summary, we agree that our citizens should be able to control property taxation at the level of government closest to them. We believe that the U.P.T. has seriously eroded this preperogative and the amount collected through it should not be expanded to fund additional programs, as recommended elsewhere in this report. Such expansion would place the State in the position of utilizing the property tax as a major source of revenue and makes a bad situation even worse. Rather the tax should be repealed.

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CONCURRING REPORT FROM SENATOR PHILIP L. MERRILL

The majority report has my support as a short range program of tax reform. It recognizes the realities of the present political climate and, within those limits, makes great strides toward more equitable taxation.

The long range goal should be to provide a greater shift from property tax to the more progressive income taxes. This should be done in a way that will not diminish non-resident tax revenues - the circuit breaker once in place might provide the vehicle for further reductions in net property tax paid by Maine people. There is a great temptation to call for a greater shift this year; there are several reasons why this is not practical. First, we need more hard information about who pays the property tax, where they live, and what they earn. The facts gathered through administration of the circuit breaker and more complete income tax forms will provide some of that information. Beyond that, the State Planning Office should explore ways to gather that data, and supply it to State policy makers. Further, there was an increase in the income tax last year; without support from the Governor it would be near impossible to effect another increase this year.

Finally, taxes are the way we finance our state. A certain caution about rapid changes, even when we are sure of the direction we are going, is as appropriate to government as it is in the private sector.

As to the Uniform Property Tax, I do not share the majority commitment to this tax. I am entirely committed to the State guaranteeing a minimum expenditure for each child's education. I favor over 50% of those monies coming from non-property tax sources, and I favor a system that approximates tax power equalization.

The Uniform Property Tax is one way to guarantee the latter. It is not the only way and, considering the upheaval it has caused, it may not be the best. As we lessen our reliance on the property tax to fund education, we can abandon the Uniform Property Tax at a loss of less than the six million dollars we now receive in "pay-in" payments. I think we could take that step without any loss of tax equity and, possibly, with a great gain of support for our broader educational goals.

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X

A COMPARISON OF PROPERTY VALUES IN MAINE TOWNS AND THE PERCENTAGE OF ALL MAINE STUDENTS IN THOSE TOWNS

Prepared by Asa Gordon, for testimony before the Committee on Taxation

NUMBER OF TOWNS	PERCENTAGE OF THE PROPERTY WEALTH	PERCENTAGE OF STUDENTS
108	24.48	10%
35	13.7%	10%
26	12.2%	10%
23	9.88	10%
27	9.18	10%
49	7.98	10%
41	7.28	10%
50	6.7%	10%
65	5.5%	10%
92	(3.5%)	10%

THE CHANGING PROPERTY TAX BURDEN SINCE THE 1973 SCHOOL FINANCE ACT AND THE UNIFORM PROPERTY TAX

TABLE 75 - PROPERTY TAX AS A PERCENTAGE OF TOTAL STATE LOCAL TAXES, BY STATE, AND REGION, SELECTED YEARS, 1942-1975

	*1976	· · · ·	<u></u>		· · · · · · · · · · · · · · · · · · ·	· · · ·	
State and Region		1975	1 9 71	1967	1962	1957	1942
United States		36.4	39.9	42.7	45.9	44.6 ¹	53 2'
New England		(48.1)	(47.3)	(50.2)	(53.9)	(52.7)	(60.2)
Maine	(36.5 🦯	(40.4)	(45.2)	48.5	52.8	50.0	62 7
New Hampshire	Comments of the second	60.0	59.1	63.4	63.6	62.8	60.5
Vermont		42.8	37.3	40.1	45.2	45.0	50.4
Massachusetts		52.9	52.2	51.8	60.6	58.0	672
Rhode Island		41.9	38.7	45.6	47.8	50.4	62.6
Connecticut		50,5	51,2	52.0	53.6	50.0	57 5

* Updated by this office, using data supplied by U.S. Bureau of Census

TABLE 71 -- AVERAGE EFFECTIVE PROPERTY TAX RATES, EXISTING SINGLE-FAMILY HOMES WITH FHA INSURED MORTGAGES, BY STATE AND REGION, SELECTED YEARS, 1958-1975'

tute and Region	1975	1971	1966	1962	1958
Jnited States	1.89	1.98	1.70	1.53	1,34
Yew England					
Maine	1.86	2.43	2.17	1.81	1.58
New Hampshire	N.A.	3.14	2.38	2.03	1.81
Vermont	N.A.	2.53	2.27	2.10	1.63
Messa chusetts	3 26	3,13	2.76	2.47	2.21
Shode island	ΝΔ	2.21	1.96	1.93	1.67
Connecticut	1.94	2.38	2.01	1.78	1,44

TABLE 76 - STATE-LOCAL PROPERTY TAXES PER \$1,000 OF STATE PERSONAL INCOME, BY STATE, SELECTED YEARS, 1942-1975

-reason carry - daging any of the later of t	1975		1967		1982		1957		1942	
State and Region	Amount	As % of U.S. Average	Amount	As % of U.S Average	Amount	As 6 OF U.S Averaça	/angaat	As Solot U.C. Ass. age	Amount	As % of U.S. Avatage
anted States	\$46	100	\$45)	100	\$40	100	\$371	16,)	\$37)	1003
New England	(60)	(133)	(52)	· (116)	(52)	(121)	(45)	(122)	(4 3)	(116)
Maine		113	(51)	113	54	126	44	179	15	122
New Hampshire	65	144	59	131	67	133	51	138	50	135
Vermont	66	147	50	111	53	123	46	124	43	116
Massachusetts	75	167	59	131	60	540	52	141	51	138
Rhode Island	50	111	45	100	44	102	୍ବର	105	35	95
Connecticut	55	122	48	107	46	107	36	_97	32	86

State of Maine DEPARTMENT OF EDUCATIONAL AND CULTURAL SERVICES Augusta 04333

August 10, 1977

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UNITS WHICH DID NOT RAISE OPTIONAL LOCAL APPROPRIATION WITH STATE PARTICIPATION

1976-77

(35 of 279 Units / 38 of 497 Municipalities)

		MAXIMU	M ALLO	WABLE
	Av.Res.Pupils	Local Share	State Share	Total
Roverbank	15	\$ 135.00	\$ _0-	\$ 135.00
Bromen	107 725	6 525 00	φ =0= =0=	6 525 00
or chemicand	16.0	1,160,00	280.00	1 440.00
Delles Plt	20.5	2,655,00	-0-	2,655,00
Debloig	3.0	270.00	-0-	270.00
Drey Pit	12.5	1,100,00	25.00	1,125,00
Elliottsville Plt.	4.0	360.00	-0-	360.00
Ellevorth	1,159.5	104.355.00	-0-	104.355.00
Grand Lake Stream Plt.	31.0	2,790,00	-0-	2,790,00
Hancock	330.5	29,600,00	145.00	29.745.00
Highland Pit	12.0	1,080,00	-0-	1,080,00
Tala on Hont	6.5	585.00	-0-	585.00
Taleshoro	90.5	8.145.00	-0-	8,145,00
Lakeville Plt	0.5	45.00	-0-	45.00
Limestone	1.947.0	54 400.00	150.830.00	175,230,00
Lincoln Pit	8.0	720.00	-0-	720.00
Long Island Plt.	8.5	765.00	-0-	765.00
Magalloway Plt.	18.5	1.665.00	-0-	1.665.00
Meddyhemps	14.0	1,260,00	-0-	1,260,00
Nashville Plt.	14.0	1,260.00	-0-	1,260,00
Number 14 Plt.		315.00	-0-	315.00
Number 21 Plt.	37.5	1,680,00	1.695.00	3,375,00
Pembroke	184.0	10,200,00	6,360.00	16,560.00
Perry	158.5	9,000,00	5,265,00	14.265.00
Rangelev	208.5	18.765.00	-0-	18,765.00
Rangelev Plt.	7.0	630.00	-0-	630.00
Sandy River Plt.	15.0	1.350.00	-0-	1,350.00
Somerville	74.0	3,200.00	3,460.00	6,660.00
Surry	174.5	15,705.00	-0-	15,705.00
Trenton	126.5	11,385.00	-0-	11,385.00
Waterville	3.568.0	272,800.00	48,320.00	321,120.00
Westmanland	6.0	540,00	-0-	540.00
S.A.D. #7		•		
North Haven	88.0	7,920.00	-0-	7,920.00
S.A.D. #28				
Camden	882.0	79,380.00	-0-	79,380.00
Rockport	565.5	50,895.00	-0-	50,895.00
S.A.D. #45				· -
Perham	120.5	4,000.00	6,845.00	10,845.00
Wade	114.5	2,400.00	7,905.00	10,305.00
Washburn	565.0	23,600.00	27,250.00	50,850.00

State of Maine DEPARTMENT OF EDUCATIONAL AND CULTURAL SERVICES Augusta 04333

August 10, 1977

UNITS WHICH DID NOT RAISE OPTIONAL LOCAL APPROPRIATION WITH STATE PARTICIPATION

1977-78

(37 of 281 Units / 39 of 497 Municipalities)

	Av Ree Punile	MAXIMU Local Share	M ALLON State Share	WABLE Total
	ALLING IL APLED		Dogoc onarc	
Bowerbank	3.5	\$ 402.50	\$ -0-	\$ 402.50
Coplin Plt.	25.0	2,875.00	-0-	2,875.00
Cranberry Isles	29.5	3,392.50	-0-	3,392.50
Crawford	15.0	1,600.00	125.00	1,725.00
Dallas Plt.	28.0	3,220.00	-0-	3,220.00
Edgecomb	149.0	17,135.00	-0-	17,135.00
Elliottsville Plt.	3.5	402.50	-0-	402.50
Grand Lake Stream Plt.	22.5	2,587.50	-0-	2,587.50
Harmony	188.5	6,300.00	15,377.50	21,677.50
Highland Plt.	10.0	1,150.00	-0-	1,150.00
Islesboro	93.5	10,752.50	-0-	10,752.50
Jefferson	355.5	37,500.00	3,382.50	40,882.50
Lakeville Plt.	1.0	115.00	-0-	115.00
Limestone	1,978.0	29,400.00	198,070.00	227,470.00
Lincoln Plt.	7.0	805.00	-0-	805.00
Macwahoc Plt.	51.0	2,500.00	3,365.00	5,865.00
Magalloway Plt.	18.5	2,127.50	-0-	2,127.50
Meddybemps	12.5	1,437.50	-0-	1,437.50
Medford	32.5	2,200.00	1,537.50	3,737.50
Monhegan Plt.	15.0	1,725.00	-0-	1,725.00
Nashville Plt.	15.0	1,725.00	-0-	1,725.00
Number 14 Plt.	4.0	460.00	~0-	460.00
Palermo	207.0	15,400.00	8,405.00	23,805.00
Penobscot	228.5	19,900.00	6,377.50	26,277.50
Rangelev	218.0	25,070.00	-0-	25,070.00
Rengeley Plt.	6.0	690.00	-0-	690.00
Roque Bluffs	56.5	6,497.50	-0-	6,497.50
Sandy River Plt.	13.5	1,552.50	-0-	1,552.50
Somerville	76.0	4,300.00	4,440.00	8,740.00
Talmadge	4.5	517.50	-0	517.50
#Waterville	3,400.0	350,500.00	40,500.00	391,000.00
Westmanland Plt.	6.5	747.50	-0	747.50
Whitnevville	54.0	1,900.00	4,310.00	6,210.00
Windsor	462.0	23,700.00	29,430.00	53,130.00
S.A.D. #7				
North Haven	84.0	9,660.00	-0-	9,660.00
S.A.D. #19				
Lubec	414.5	26,200.00	21,467.50	47,667.50
Apl-Hp-Lnl C.S.D.		·		
Appleton	174.5	14,300.00	5,767.50	20,067.50
Норе	145.0	12,100.00	4,575.00	16,675.00
Lincolnville	258.5	29,727.50	()	29,727. 50

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* Possibility of revision of budget and funds to be raised under this provision.
** Budget not adopted as of this date.

TABLE 86 - SUMMARY PROPERTY TAX DATA, BY STATE (Coard)

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		Locally assessed taxable real properties, 1966								
		Percen	by type of pro	y type of property						
	Number	Residential	(rionfarm)	Acreage and farms		Vacant	lots	Commercial and industrial		
State	(000)	Number	Value	Number	Value	Numbar	Vulue	Number	Value	
United States	74,832	57	60	19	. 11	19	2.6	3.3	25	
Alabama	1,199	54	57	30	17	11	1.7	3.8	24	
Alaska	77	42	59	11	6	44	6.0	3.7	29	
Arizona	643	5 3	68	10	7	36	3.6	1.1	21	
Arkansas	1,441	23	43	40	35	30	3.2	2.1	17	
California	5,965	69	61	8	10	17	3.7	4.2	23	
Colorado	779	60	59	13	13	18	1,6	3.4	25	
Connecticut	838 ,	77	73	4	. 3	15	1.8	4,1	2 2	
Dolaware	175	68	66	10	8	17	2.0	3.7	24	
Dist. of Calumbia	146	82	60			14	5.3	3.8	31	
Florida	2,913	52	62	10	13	35	6.3	2.6	18	
Georgia	1,318	62	61	20	16	14	2.2	4.0	21	
Iswaii	218	47	60	3	4	47	9.5	3.6	27	
daho	295	45	29	37	35	13	1.4	4.3	33	
llinois	3,806	57	56	19	18	19	2,1	2.9	24	
ndiana	2,287	53	57	21	20	24	2,1	2.4	20	
owa	1,727	37	39	49	47	11	0.8	3.0	14	
Cansas	1,389	43	41	37	45	17	1.0	i 9	12	
Centucky	1,030	65	55	22	27	10	1.2	3.6	17	
.cuisiana	1,073	63	64	14	9	19	2,8	3.3	25	
ปละกอ	453	61	64	17	2	17	1,6	4.3	31	
Aarviand	1.066	72	71	7	7	17	1.6	4 1	20	
Aassachusette	1 900	70	70	4	1	21	23	4 Q	27	
Aichigan	3 386	62	61	16	7	18	3.3	3.8	27	
linnesota	1 354	52	44	31	27	13	1.2	4.8	28	
Aississippi	812	43	48	40	36	14	2.3	2.1	16	
Aissouri	1 926	5.1	58	* 8	17	15	16	2.6	24	
Aontana	351	41	42	43	34	11	12	4.0	23	
Indexeka	207	46	78	38	50	13	10	23	11	
levada	180	50	55	17	9	28	4.9	3.7	31	
iew Hampshire	432	60	70	19	3	16	1.6	3.3	25	
law local	1.000	73	71	э	7	20	25	6.0	24	
lew Marico	1,355	74 54	51	12	17	21	6.1	2.0	15	
aw York	4 076	70	83	â	2	15	1.9	50	12	
lorth Carolica	1 299	53	52	19	19	19	23	19	27.	
lorth Dakota	459	21	25	58	63	18	1.2	2.7	11	
	2 040	60	65	17	10	75	25	·2 A	20	
)kinhomn	1.565	45	50	22	26	20	2.5		4.4 • G	
	1,000	4J 60	50	** 77	20	17	1.7	1.2		
lengun	່ວວາ	50	53	44 7	2 2	3.4	1.7	3.1	4.3 ≁0	
thode Island	3,822	65	70	3	1	26	2.6	4.6	∡o 25	
	774			-	10					
Cum Carolina	//4	62	4.j 1⊐1	18	10	18	1./	2,0	39	
	525	27	21	59	10	11	1.1	2.7	10	
61042364	1,313	5/	60	20	12	15	2.3	2.1	25	
0x8G	5,987	42	39	21	13	17	1.9	1,9	21	
ارد <i>:</i>	204	90	60	4 I	10	17	C. 2	4,0	19	
'ermont	188	56	53	16	9	22	3.0	6. 0	24	
irginia	1,682	51	65	20	9	26	2.6	2.2	22	
rashington	1,760	50	57	21	17	28	3.5	1.7	22	
rest Virginia	902	46	57	26	15	15	2.0	2	24	
hisconsin	2,146	43	61	38	11	15	1.7	4, 1	26	
Yyoming	108	71	55	17	26	9	1.4	3.2	18	

See footnotes at and of table

WHO PAYS THE UNIFORM PROPERTY TAX

The data on page A-24 gives a very rough picture of who pays the Uniform Property Tax. If these 1966 figures approximate the distribution of property values reflected in the current state valuation, then this years UPT (11.5 mills state valuation) would come from the following sources:

- 1. Residential (non-farm): App. 64%
- 2. Acreage and farms: App. 2%
- 3. Vacant lots: App. 1.6%
- 4. Commercial and industrial: App. 31%

1/ This data is quite old; it is based on a 1966 U.S. Bureau of Census study and is not due to be updated until 1978. Further, even if this is an accurate picture of the State Valuation (see A-27 of this booklet) it does not mean that the valuations of the local assessors are in line with the State Valuation and the UPT is actually collected on the basis of the local valuations.

STATEMENT OF FACT

1. Introduction.

This bill is an omnibus reform bill, embodying the recommendations of the 1977 Select Committee on State Property Tax Valuation. Copies of the committee's report, "Is the State Valuation Accurate?" can be obtained from the Office of Legislative Assistants, Room 427, State House, Augusta, Maine

2. Specific recommendations.

The recommendations upon which this bill is based are as follows:

1. An improved citizen appeals process should be instituted whereby, if the assessor refuses to make the abatement (adjustment in a citizen's tax bill) asked for, the citizen may appeal directly to the State Board of Assessment Review and, if still not satisfied, to the Superior Court. No appropriation is needed. See bill sections 1, 2, 10, 11 and 12.

2. Statutory requirement should be established for the Property Tax Division to conduct annual assessment-sales ratio studies applicable to each municipality or assessing jurisdiction, and to publish the results of such studies. No appropriation is needed. See bill section 3.

3. Legislation should be adopted to assign responsibility to the Property Tax Division to appraise at full value all industrial property in the State with a value over \$1,000,000 and all operating utility property subject to taxation, to require the Property Tax Division to certify such individual full value

appraisals to the municipalities to use these appraisals as the basis for their assessed value of the individual properties, and to provide for the financing of this appraisal service from state funds. This recommendation requires an appropriation of \$300,000. See bill sections 4, 6 and 8.

4. The statutory assessment standards for rating of assessments should be adjusted to provide for a maximum quality rating of 18 by 1979 and thereafter, measured by the coefficient of dispersion. No appropriation is needed. See bill section 5.

5. Legislation should be adopted to require that all municipalities classify all parcels of property on their assessment roll according to the standard property classification system and any additional special categories that are significant in their municipality, and that the municipalities report to the State Burcau of Taxation the totals of assessed values for such classes on their municipal valuation returns. No appropriation is needed. See bill section 7.

6. To further increase taxpayer awareness, each locality's tax bill should include the assessed valuation of the taxpayer's property, the tax rate, the amount of tax due and a statement indicating the ratio or percentage of full roo% value certified to the Bureau of Taxation and used in determining the assessed value. No appropriation is needed. See bill section 9.

3. General summary of the report.

In general, the report of the Select Committee on State Property Tax Valuation can be summarized as follows.

A. What is the state valuation?

The state valuation is the yearly estimate by the Bureau of Taxation of the market value of all property in the State.

B. How is the state valuation used?

(1) It is the valuation against which the uniform property tax is levied.

(2) It is a factor in state-local revenue sharing formulas.

(3) It is a standard against which to judge the accuracy of the local assessor.

C. Why can't the State simply add up each municipality's valuations?

(1) Many towns do not frequently update their valuations.

(2) Many towns have low assessment ratios (a percentage of full value) and the lower the ratio, the less likely it is to be correct.

(3) Thus, it is necessary for personnel of the Bureau of Taxation to go into the field and analyze recent real estate sales and meet with the local tax assessors.

D. Is the state valuation accurate?

The committee finds the state valuation is :

- (1) Conservative;
- (2) Reasonably accurate; and
- (3) Will improve with each year :
 - (a) Sales data will improve; and
 - (b) Statutory local assessing standards will become stiffer each year.

E. Do errors in the state valuation discriminate against certain types of localities?

Apparently not. No pattern was discovered for the types of towns in which the state valuation was inconsistent. Two trends did emerge however:

(1) Towns in which there was inconsistency, the state valuation erred by being too conservative; and

(2) These towns had low local assessment ratios and lack of valuation documentation.

F. How many new personnel will be needed?

In addition to adjustments in their statistical methods, the Property Tax Division will also need additional field personnel. These persons will assist the local property tax is accurately assessed, and further, it provides a basis ments where local sales are scanty.

G. Why is field assistance to the local assessor necessary?

No matter how accurate the sales information used by the State is, if the local assessor's valuations are inaccurate, the state valuation will be directly influenced. The committee emphasized that its experience revealed that the local assessor desires such assistance.

H. Does the value of the state valuation go beyond insuring an accurate state property tax?

Most definitely. The state valuation provides essential help in making sure the local praperty tax is accurately assessed, and further, it provides a basis for distribution of different kinds of state aid. Prepared by James A. McKenna for the Committee on Taxation

ARGUMENTS FOR AND AGAINST THE UNIFORM PROPERTY TAX

Presented are the most commonly voiced arguments both against the UPT and for it. The format is that of a debate; there seems to be no clear winner:

Arguments against the UPT

1. The UPT removes local control of taxation and thereby promotes less fiscal responsibility. There are three main reasons for this:

A. The closer citizens are to the public pursestrings, the tighter they are pulled. A good example of this is the heavy reliance on local property taxes in New Hampshire;

B. Moving the decisions or the level and method of taxation from the local to the state level increases the possibility that extraneous factors will become involved in what are political decisions;

C. When several levels of government use the same tax, each can point to the other as being responsible for the heavy burden.

Arguments for the UPT

1. It cannot be doubted that if property taxes were set only at the local level and state continued to fund more than 50% of the total cost of education, then the property tax burden of the state would be lowered. However, there are four main responses to this fact:

> A. One of the purposes of the School Finance Act (and the UPT) was to lower property taxes. One estimate is that it has succeeded to this extent: per capita property taxes have been reduced from \$281 to \$231. This is because before the School Finance Act (and 50% State funding of the cost of education), approximately 2/3 of the total cost of education came from the local property tax;

45

B. If the equal funding philosophy of the School Finance Act is not to be abandoned, then other broad based taxes (income, sales, etc.) would have to be increased. And this we cannot afford to do. Maine is a property rich-income poor state and must continue to rely on property taxes;

C. The UPT, because it is a state, broad based tax and seeks to levy (not completely successfully) the same mill rate on each property tax payer, is more equitable than the strictly local property tax. With the UPT, persons living in towns with valuable property do not have lighter property tax burdens.
2.Very well. Even accepting these arguments, the UPT can still be a very unfair tax. In many towns in Maine property identified by the State Valuation as "high value" property is inhabited by low income persons who have owned the land for generations. If the UPT were repealed then that town's taxes could fall. Property holdings can indicate "ability to pay" only if it is sold and being forced to sell your house is too severe a result for any tax. Why should we tax "wealthy" Georgetown with 19.2% of its inhabitants below the poverty line to subsidize "poor" Cape Elizabeth.

3. The UPT burden of each town is determined by the State's valuation of its property and the State Valuation is inaccurate. This is especially true of our coastal and lakeside areas. D.Finally, "local control" has little meaning if a town is too poor to do anything but scrape by.

2. This is a valuable point and, assuming we keep the equal funding goals of the School Finance Act there seems 3 possible ways to deal with it:

A.Lower further the UPT's share of the cost of education (currently 45.4%) and increase other broad based taxes.

B. Institute some form of "homestead" property tax relief (e.g., a property tax relief circuit breaker).

C. Institute a system of deferring taxes.

But, if we simply repealed the UPT
and scuttled the idea of equal educa-
tion funding, then the only low-in-
come people probably helped would be
only those fortunate to live in the
relatively few "pay-in" towns.

3. The Select Committee on State Property Tax Valuation found the State Valuation to be fairly accurate.6/ Further, it communities where the committee found the UPT to be inconsistent, the error were usually on the conservative side. See Appendix B for a summary of this report. But this brings us back again to the lowincome person on valuable land. Why can't homesteads be treated as other belongings. This might seem a too heartless response but here it is: sell your land, or enough of it to use the interest profits to pay your taxes.7/ Finally, if the State Valuation (and local assessing) are not as accurate as they could be, we should improve them. The existence of the UPT is a powerful and needed inducement to more accurate property taxes.

Arguments against the UPT

4.While it is true that the UPT only raises funds but does not distribute them, the School Finance Act,of

which the UPT is a part, by its setting of an "expenditure" floor, discourages local initiative it cutting back unnecessary school costs.

> 5. The complexities of the School Finance Act, of which the UPT is a part, discourages fiscal responsibility. For exampe, citizens are told that 90% of regional vocational education is funded by the State. In fact up to 50% of the 90% which is the "State's" share comes from the UPT. Additionally, basing State obligations on prior year's State costs plus local expenditures provide a built in escalation of State expenditures.

Arguments for the UPT

4. This is a valuable point but it does not realy pertain to whether or not a state property tax is a good idea. Nor is the discouragement of local initiative that great. Localities are free to cut their school budgets and the result would be a generally lower UPT mill rate.

5.These are good points. However, we must remember that the School Finance Act has been refined to the point where it is no longer deficiet ridden. Nor can expenditures for education in Maine be considered exorbidant. Indeed, Maine's 1976 cost per pupil was the lowest in New England and the 36th lowest in the country.8/

7.Finally, people when arguing in favor of the UPT say "look at the relatively low mill rate of the towns that want to repeal it". But they don't understand that such town's mill rates are low in part because they choose to do without many of the services larger towns voted for. 7.This is a valuable reminder. But there is one additional point: the UPT is a state broad tax. Assuming an accurately administered property tax (both state and local) it is the same as the income tax or sales tax. And in combination, they can produce a state tax mix that more accurately taxes according to each person's ability to pay. Ideally speaking, there should be no "payin towns" only "pay-in persons". There seems no clear winner in this debate on the UPT. This is probably due to four factors:

A. Each side makes valuable points.

B. There are satisfactory answers to two of the central objections to the UPT (unfair taxation and reckless spending):

(1) If we can assume the State Valuation is or will be accurate, then persons living in "pay-in" towns pay at the same mill rate as everyone else (see above Argument 3).

(2) The School Finance Act, at least compared to the other states, seems a rather frugal method of arriving at school expenditures (see above Argument 5 and Footnote No. 8).

C. Neither the repeal nor the retention of the UPT will solve the problem of too heavy property taxes on low and medium income persons (see above Argument 2).

D. Finally, and perhaps most importantly, the choice between the repeal and retention of the UPT seems a choice between two conflicting values:

Against the UPT

For the UPT

Slowly, with each year, the control of our lives is being taken away by an increasing centralized government. Even if in the future the UPT can be made a more accurate tax, we will not give up this fundamental aspect of self-determinancy: the right to raise taxes locally. We will risk this limiting of our powers in the name of equity. Maine will always need to rely heavily on property taxes. The UPT, in seeking to levy the same mill rate on each property owner, regardless of where he lives, is the most equitable way to levy this tax.

= EDUC'L CP'Y

If this final factor - a conflict in values - is an accurate assessment, then it would seem that to choose to retain the UPT also creates a responsibility to create new mechanisms or institutions for meaningful participation in local issues. One example of this would be the recently passed opportunity for citizens to vote on specific items of the local school budget.

- 1/ The Legislature must each year set the exact amount to be distributed. The factors they must consider are contained in 20 MRSA § 3747 (see Appendix ...).
- 2/ 20 MRSA § 3747, sub-§ 6.
- 3/ The Maine Supreme Court in Town of Action v. McGary 356 A 2d 700 (1976) made it quite clear that the UPT is levied on individuals not towns: "Thus, the State property tax, as a tax on property, is a tax laid upon the estates of persons located within the boundaries of several municipalities, and it is the persons who own the estates within the ... municipalities who are the taxpayers ... not the... municipalities." at 706.
- 4/ 20 MRSA § 3747, sub-§ 8 (see above).
- 5/ Willems, "Property Taxes: Who Really Pays" <u>Maine</u> 26 (March-April, 1977).
- 6/ The Report of the Select Committee on State Tax Valuation, Is the State Valuation Accurate? (February, 1977).
- 7/ Willems (see above footnote number 5) states: "But what about the poor farmer/fisherman who's sitting on several hundred acres that have skyrocketed in value and who doesn't have enough cash income to cover his property tax bill?

Tough. The whims of the marketplace have turned him into a wealthy man, and there's no reason to believe that he desperately needs tax relief. But, he argued, he is being driven off the land, forced to sell his property to pay the tax.

Well, okay, he would be forced to sell part of it if he were deriving no income at all from the property. Even then, with the current ratio of interest rates to tax rates (5 percent interest, 2-2 1/2 percent tax) a landowner would have to sell only a third of his land and put the proceeds into savings to have interest income pay his taxes on the other twothirds every year."

 $\frac{8}{}$ The following is reprinted from the March 20, Portland Sunday Telegram (p. 16-A):

275 Cost Pe 275 (Av Daily)	-'76 Yr Pupil -'76 Mtendance)	25-176 Rank	Total Cost Per Pupil (Includes trans., bldgs.)	74-75 Percent Personal Income to Local Schools
Mel Mfl S.D R.L N Y. Massi	\$1,001,79 1,120,50 1,380,68 1,017,98 1,361,35 2,098,49 1,403,83	36 31 10 35 12 1 8	\$1,176/44 1,331,97 1.526/19 1,224,87 1,447,95 2,386,33 1,536,58	5.3 5.0 6.0 3.7 4.8 6.0
Natl Av.	1,283.53	-	1,461,92	5.3

Fir t three column of figures from: "National Comparison, Local School Costs", Market Data Retrieval me, Westport, Conn.

Fourth column from: "Governmental Finances

A-33

State of Maine DEPARTMENT OF EDUCATIONAL & CULTURAL SERVICES Augusta 04333

CAPSULE DESCRIPTION OF THE "SCHOOL FINANCE ACT OF 1976"

Each year, the Legislature determines a "basic education allocation" which serves as the basis for subsidy reimbursement to each administrative unit. The costs which make up the basic education allocation are:

 In the year immediately prior to distribution of funds: Elementary operating costs. Secondary operating costs 90% of the costs of special education programs operated by the unit. 90% of the costs of vocational education. 90% of the costs of operating school buses. The costs of school bus purchases.

-- In the year of distribution of funds: 90% of the costs of special education tuition. 100% of the costs of capital outlay projects approved by the State Board of Education. All debt service on approved school construction.

Each year the Legislature sets a uniform property tax that will produce no more than half of the total basic education costs, the other portion to be financed from state sales and income taxes. (In 1976-77 the uniform tax was set at 13 mills or 45.4% of the basic education allocation.)

Additionally, the Legislature appropriates funds for subsidy adjustments (1) for unusual enrollment increases within units and (2) to compensate for high costs associated with geographic isolation.

The Legislature also appropriates funds to guarantee each school unit a maximum return of \$90 per pupil when an optional 2 mills are voted by local school units.

If the uniform property tax raised by a unit on its state assessed valuation of property is less than the unit's basic education allocation, the State pays the unit the difference.

If the uniform tax is greater than the unit's allocation, the unit sends the excess to the State.

The uniform tax is made available by municipalities to school officials on a monthly basis, and state aid is paid monthly, except for debt service which is paid the month prior to its due date.

State aid to each unit will range from zero dollars to approximately 90% of the basic operating costs, depending upon the state valuation of the unit. ARE GENERAL FUND REVENUES It is important to realize that under the School Finance

Act all UPT revenues (\$138 million this year) are General Fund revenues. Thus, the School Finance Act means the state, out of its General Fund (UPT plus other broad based taxes), is funding nearly 100% of the cost of education in Maine. The following analysis is based on the 1977 School Finance Act.

1. Organized territory

A. 11.5 mills (UPT rate) X state valuation of = \$134.4 million the organized territory

- (1) Of this \$134.4 million, <u>5.2 million</u> are "payin" dollars^{*} and this money actually is sent into the General Fund. The other \$129.6 stays in the local communities under a voucher system; but it is just as though the state sent it out from the General Fund.
- * A simple definition of "pay-in" dollars: the amount, if any, the UPT (11.5 mills) raises that is above a town's education allocation under the School Finance Act.
- 2. Unorganized territory

A. 11.5 mills (UPT rate) X state valuation of = \$3.6 million unorganized territory

3. Total "pay-in"

How much money, in total, is raised by UPT over the amount allocated a town or area by the Legislature:

Organized territory "pay-in"	\$5.2 million
Unorganized territory	<u>\$1.5</u> million
pay-III	6.7

^{1/} Of this \$3.6 million, 1.5 are "pay-in" dollars. However, unlike the UPT revenues raised in the organized territory, all \$3.6 million is sent into the General Fund. Then, in an appropriation seperate from the School Finance Act: (a) \$2.1 million is appropriated from the General Fund for education in the unorganized territory; and (b) \$.7 million is appropriated from the General Fund for education of Indians.

B. IF THE UNIFORM PROPERTY TAX IS REPEALED, HOW WILL THE SCHOOL FINANCE ACT BE AMENDED?

Last session at least three major efforts to repeal the UPT (and countless amended versions) were voted on by the Legislature and defeated. Each tried to resolve these main problems:

- 1. If the UPT is going to be repealed, how do we absorb the \$6-7 million loss in "pay-in" revenues from the UPT?
- 2. If the UPT is going to be repealed, how does the state insure that the basic, minimal amount necessary for education will be spent by each town? (The UPT, when levied, makes it impracticable for any town to spend less than that amount on local education. Thus, it insures that in each town a basic, minimal amount would always be spent on education.)

Included in the background materials of this section are:

- A summary prepared by the staff for the Committee on Taxation comparing the three major UPT repeal bills. (Of course, many of the features of these bills changed during the course of debate.) Also included is a description of the terms used in the comparison.
- 2. Rep. Palmer's description and argument for one of these 3 repeal bills, L.D. 1024. How did L.D. 1024, as amended, confront the two issues described above?
 - a. Loss of \$6-7 million pay-in. L.D. 1024, as amended by the Committee on Taxation, would have mainly reduced the state education subsidy to towns, thereby putting heavy pressure on them to raise the local property tax or to cut education expenditures. Further, it saved \$1-2 million by keeping the inhabitants of the unorganized territory as "pay-ins".
 - b. Towns refusing to raise sufficient education funds. Parents were given an appeals procedure if they thought too little was being spent on education and the new distribution system of state education funds had a penalty (less state money) for not raising a sufficient amount.

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B-5 to B-10

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	LOC Pow- er to tax	AL CONTROL Power to spend less	U P T	Expenditure floor	Expendi- ture ceiling	Local Leeway	Penalty for not raising basic allocation	FED- ERAL	CONSTITUTI STAT Equal Protectic	ONAL VIOLATIONS E VIOLATIONS Equal assessment of property taxes
1976 SCHOOL FINANCE ACT	No	Yes, if a town needs to use "lo- cal leeway" dollars. Only 17 town did mot last year.	Yes I	Yes, every town receives app. 100% of basic cost of education.	No, re- pealed by 107th for one year.	Yes	NOT APPLICABLE	No	Perhaps	No
L.D. 1023	Yes	Yes	No	No (but a penalty and citizens can appeal)	No	Yes (same as cur- rent law)	Assume designated mill rate of 10(\$500,000) if town X raises only 9 mills, it gets only 9/10 of its state share: \$450,000	No	Perhaps	Probably
L.D. 1024	Чев	Yes	No	No (but a penalty and . citizens can appeal)	No	Yes (same as cur- rent law)	Assume a designated mill rate of 10(\$500,000) if town X raises only 9 mills (\$400,000), its state aid is reduced dollar for dollar to <u>\$400,000.</u>	No	Perhaps	Probably
LD 1757	Yes	Yes, while there is an expenditure floor, only 17 towns didn't use "local lee- way" last year	No	Yes (but in- creases Com- nissioner's cost of educa- tion by \$3 million)	Yes (but can apply to State for hard ship waiver)	Yes (but in- creases state - parti- cipa- tion; cost c \$2 M)	If a municipality does not raise either 12 mills or an amount equal to its basic education allocation, it receives no state aid.	No	Perhaps	Probably

This year 38 out of 497 municipalities decided to live within education subsidy provided by the state and to not vote extra local property taxes for education; see pages A-22 to A-23 of the packet for a listing of these towns. B-1

A. Local control

Because the three school funding bills keep entact the current law's method of arriving at school costs, the state valuation procedures, and the setting -- but not levying -- of a Uniform Property Tax mill rate, there are only two "local control" goals in question:

- 1. The power to tax: a municipality should be free from interference in the amount of money it raises from its local property tax base.
- 2. The power to spend less: the state should not restrict a locality's initiative to achieve increased efficiency in school administration. This is more a theoretical problem than a practical one. Because the state does not actually fund 100% of the basic cost of education, most towns, even "pay-ins" must use either "local leeway" dollars or local property tax dollars and those towns already have an opportunity "to spend less." Last year only 17 out of the 497 localities did not need more than the state's basic allocation.

* This year the number has increased to 38 out of 497 communities.

B. Uniform Property Tax

The use of a Uniform Property Tax in an attempt, perhaps not always successful, to have the property tax become a broad based state tax that levies the same mill rate on all property owners no matter where they live. This increases the "ability to pay" accuracy of our tax structure.

C. Expenditure floor

An education spending level below which a locality cannot go. It insures that all towns will make a minimum education effort. For towns that need no more than their "basic education allocation" a floor is a bar to frugality. (17 towns last year).

D. Expenditure ceiling

An education spending level above which a locality cannot go. Prevents eventual spending disparities between wealthy communities and poor communities. On the other side: might discourage superior education efforts.

E. Penalty for not raising "basic education allocation" If there is no expenditure floor than how does the state insure a sufficient funding effort for education? L.D. 1023 and L.D. 1024 have no floors and each provides:

- 1. An <u>appeals process</u> whereby 10% of the locality's voters must petition the State Board of Education within 45 days; and
- A reduction in the state's share of school costs. The penalty of L.D. 1024 is slightly stiffer than the one for L.D. 1023.

F. Local leeway

The State's matching funds to any town that feels it needs more school funds than its "basic education allocation." Under current law a town can raise up to two mills locally and the state must kick in enough money to assure that each mill raises an amount equal to \$45 per student in the locality. With this year's new and higher valuations the amount the state will contribute has decreased.

G. Constitutional violations

There seems three main areas in which these bills might violate either the federal or the state constitution.

- 1. Federal constitution: the Rodriguez case (U.S. Supreme Court, 1973) established that even though the Texas school funding system relied heavily on local property taxes and that wealthy areas had better schools than poor areas, the importance of the state's concern for local control was sufficient to bar the court from deciding whether the federal "equal protection" clause was violated. The court said education was not, under the U.S. Constitution, a "fundamental right" and therefore they would bow to the state's right to set its own priorities (i.e., local control). The door, however, was left open for individual state courts to decide whether such a funding system violated any equal protection clause in the state's constitution.
- 2. State constitution: In Maine, there are two possible violations of the state's constitution: its "equal protection" clause and its requirement that all state property taxes be assessed and apportioned equally.

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- (a) Equal protection. Maine's constitution has both an "equal protection" clause (Article 1, § 6-A) and a section which might be construed as defining education as a fundamental right (Article VIII, § 1). Thus, a state court might find that the state's interest in "local control" does not outweigh the disparities in school spending caused by relying on local property taxes. The strongest state funding system would have a system to equalize the property tax base (as all three competing bills do) plus an expenditure lid and an expenditure floor (as only the Greenlaw bill does). Thus, even the current School Finance Act, which has no "lid," is also susceptible to challenge.
- (b) Equal assessment of state property taxes. All three bills seem to violate the state constitution provision (Article 9, section 8) that all state property taxes be apportioned and assessed equally." They do this in their attempt to solve the problem of how to replace the approximately \$3-4 million dollars lost when the UPT is no longer applied to the unorganized territory. All three bills counter this loss with an enlarged version of our second state property tax -- the Local and State Government Tax (USGT). This tax is used to collect revenues from the unorganized territory to pay for governmental services provided it by the state. But a state property tax, under the constitution, must be levied on all property (unorganized and organized). So the LSGT is levied on all property in the state (last year it was 10 3/4 mills) but towns in the organized territory have been allowed to keep the revenues for their own local needs and, with no interference from the state, if they did not need the LSGT's full yield, they did not levy it or collect it. Any town that did not levy the full tax would seem to be in clear violation of the constitution. (Last year 180 did not.) Under all three of school funding bills, some organized towns would not raise the full LSGT and thus, if enacted, any bill might be susceptible to constitutional challenge.

The Committee on Taxation is studying this issue but any solution might necessitate an amendment to the constitution. STATEMENT by House Minority Leader Linwood E. Palmer, Jr. MARCH 23, 1977 - in testimony before the Taxation Committee

Senator Wyman, Representative Carey, members of the Committee: My name is Linwood Palmer and I am here today as the sponsor of LD 1024

The proposal I am submitting today is called the Ratio System. It is a proposal which I think will correct the problems and inequities we find in our current law while maintaining the very laudable and commendable goals that the authors of LD 1994 originally sought to achieve. The maintenance of sound educational opportunity, regardless of wealth, is a policy which is inherent to the philosophy of the Ratio System, just as it was to the original LD 1994 and to the amended versions we have developed in subsequent years. Also inherent to the philosophy behind the Ratio System is that the State must assume at least 50% of the cost of Public Education in order to help communities help themselves in providing sound educational opportunity.

The significant difference between this proposal and our current law is in regard to the method in which property tax revenue is raised. The Ratio System abolishes the Uniform Property Tax. Rather than mandate a uniform mill rate levy on all taxable property, the Ratio System allows communities to decide locally, at their town meeting or through their local municipal government, the property tax level they are to raise for the support of public education. It is a decision that is made locally rather than mandated from Augusta.

Under the Ratio System, each school administrative unit has

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a matching ratio for eligibility for state funding which is determined by their ability to raise funds locally through the property tax. The Legislature will annually estimate a total school funding level and determine an average property tax mill rate for the purpose of establishing ratios for each school unit. For example, if the Legislature for next year established a funding level of \$290 million with an average property tax rate of 11½ mills, each unit would have a ratio for state funds based on their total school costs and their ability to raise funds at 11½ mills.

Let's take two hypothetical school units, School Unit A and Unit B, with budgets of \$1 million. School Unit A at 11½ mills raises \$500,000 of their \$1 million budget. They would, therefore, have a ratio of 1 to 1, which means for every dollar raised locally they receive \$1 from the State. In School Unit B, let's assume at 11½ mills they raise \$250,000 of their \$1 million budget. They would have a ratio of 1 to 3, which means they would have received \$3 State dollars for every dollar raised locally. State matching, under the Ratio System, is, as this demonstrates, a subsidy based on need and is available only up to the level of estimated costs. Therefore, there can be no deficits at the State level.

Many of you are probably asking why we should repeal the uniform property tax. The pay-in feature of our existing law is one reason, but certainly not the only reason. There are other reasons. I was a member of the Legislature in 1951 when we passed the sales tax and repealed the State property tax because we felt the State should get out of the property tax business. The property tax is the only source of revenue local governments possess. When the State taxes property, we erode the revenue base of local governments.

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By eroding the local tax base, we gradually erode local control and therefore force municipalities to rely on the State for programs and services they once were able to fund themselves.

Repealing the Uniform Property Tax also allows, in my opinion, for a more workable school funding program. The Ratio System provides us the opportunity and the flexibility to go to current year funding levels since we have an incentive to save locally. Under the current school subsidy law, we have been forced to fund to the cost level of the year prior to allocation in order to control costs. This has unquestionably placed a severe burden on low valuation communities who are forced to pay for inflation each year through the local property tax.

In order to simplify the proposal I am sponsoring today, I would like, in conclusion, to run through 9 brief points on the Ratio System:

- 1) The Ratio System abolishes the Uniform Property Tax. An average determined mill rate is used as a benchmark for all communities to determine their individual ratios for eligibility of state funding. Furthermore, all communities, except what are now the so-called 'pay-ins'', would be taxed at the same rate if every administrative unit matched all available state funds.
- 2) All present "pay-in communities" would finance their school systems through the property tax solely. Obviously, the state would have to contribute as part of their share of education costs the amount of "pay-in dollars" which would

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have been received if a uniform property tax were in effect at the established mill rate. In fiscal year 1976-77, the "pay-in" was \$4.7 million, or about 1.7% of the \$265.4 million budget.

- 3) The Ratio System provides that all administrative units eligible for matching grants, in deciding the level at which to fund their systems, will possess the same financial resources in making that determination up to the level determined to be their necessary costs. The reason this is true is because, through the Ratio System of matching state funds, a mill raised locally will generate the exact same percentage of a unit's total cost in <u>all</u> units eligible for state aid.
- 4) In an effort to keep necessary expenditures at as low a level as possible, a unit is not directed to spend the limit determined by the state to be their total costs. This provides some local control and responsibility. However, since the Ratio System equalizes financial resources, the local decision need not be based on the fact that a community does not have a sufficient tax base. If a unit can cut costs, it will save its own tax dollars.
- 5) Since the State has an obligation to assure sound educational opportunities throughout Maine and since General Fund revenues contribute more than 50% of the total cost of education, a local appeals process to the State Board of Education would be established. An appeal to the Board

could be made by local residents only if their administrative unit did not maximize their eligiblity for matching state funds. The Board would have the authority to require a unit to raise additional money only if it found the unit's educational programs did not meet necessary standards.

- 6) No administrative unit would receive less state aid than under the present law. Likewise, no unit would be required to rely more heavily on the property tax than under existing law.
- Local property tax dollars would help finance education in that same community.
- 8) A total state dollar commitment to public education would be identified. Expenditures from the state could not exceed that level which was established but conceivably could be less if every unit did not take advantage of all available matching funds.
- 9) In general, this proposal would assure that no Maine community would have to tax its property owners above a set and reasonable level to assure a decent education for those students enrolled in its school syste. It can basically be viewed as a "circuit-breaker" approach to education finance as opposed to a "redistribution-of-property-wealth" approach.

In conclusion, I believe the one great advantage of this proposal over the existing method is that it provides local control.

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Under the current law, there is little inducement to cut costs where possible since a unit will receive no tax cut as a result. The Ratio System provides an incentive for communities to cut costs where possible, because they will realize a tax reduction for their effort. I believe this is the only way we can control the escalating cost of public education.

I, somehwat reluctantly, have finally come to the conclusion that there must be a better way to guarantee solid educational opportunities to all school children in Maine. I fear that our current Funding Law, with the Uniform Property Tax and near total State control over established annual education costs, may soon lead to a public backlash that will result in a lowered standard of educational opportunity in Maine. Unfortunately, we must accept the fact that it's time that the Maine Legislature proved that we can develop a Funding Formula that is fair and equitable to all the people of Maine. Toward that goal, I believe it is necessary that the Uniform Property Tax is repealed.

Thank you.

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C. IF THE UNIFORM PROPERTY TAX IS REPEALED, HOW WILL THE STATE FUND THE \$6-7 MILLION THAT WILL NO LONGER BE COLLECTED FROM "PAY-IN" COMMUNITIES?

Next year the UPT will generate approximately \$6-7 million from "pay-in" communities:

1.	Organized townships "pay-in":	App.\$5.2
2.	Unorganized territory inhabitants	App.\$1.5 App.\$6,7

If the UPT is repealed and approximately 50% of school funding returned to the local property tax, how will the \$6-7 million "pay-in" be made up? This is an important tax policy question. Last year repeal bills tried a number of measures. Most significantly, they simply spread the \$6-7 million around to all towns and let them decide whether to make up the lost funding. But this is not the only solution. The 1976 Select Committee on State Tax Policy commented on the fact that repeal of the UPT could result in some form of tax reform:

"[If the UPT is repealed this]would mean the property tax was no longer a state levy, and that each property holder in the state would no longer be paying at generally the same rate. Persons living in property rich towns would have a lighter property tax burden; persons in poorer towns might be more sorely taxed. The fairness of the Maine tax structure might be lessened. This would depend on how the Legislature decided to replace the lost UPT revenues. If it returned entirely to the local property tax for approximately 50% of the costs of basic education, the tax structure would become more inequitable. If it made up the UPT revenues with a combination of local property taxes and, for example, personal income taxes, the equity of the Maine tax structure might even be improved. The personal income tax is our most accurate broad-based tax. But this assumes that the local property tax is accurately assessed and we have already emphasized the important role the state valuation process and the levying of the UPT play in improving local assessment practices."

The Select Committee suggested that increasing the state's share of education by increasing income tax revenues might actually be an improvement. Other possibilities might be:

- Institution of a local income tax (percentage of the state income tax) so towns can decide whether to use local property taxes or local income taxes; or
- Increase the state's share of education by \$6-7 million using other General Fund dollars.

The background material for this section is a paper by John Joseph of the State Planning Office which emphasizes the need to view the UPT as only one of our broad-based General Fund taxes. It tries to answer the question: which towns, when you consider not just their UPT payments, but also their other broad based tax payments (e.g., sales, income), and really "pay-in" towns as far as education is concerned?

This question is very important when one considers the finding of Bowdoin economist Timothy Smeeding: that "property rich towns are often income poor and both sources of funding must be taken into account when determining ability to pay for schools."

TAX EQUITY AND EDUCATION FINANCE

IN MAINE

Staff paper prepared by John M. Joseph, assisted by James Lindvall

> Division of Economic Planning and Analysis Maine State Planning Office March 25, 1977

- FOREWARD -

This paper is a staff report on selected tax equity issues and should not be construed to be the position of the Governor or his administration on the school finance issue or the uniform property tax referendum.

The report focuses on the tax equity implications of School Finance in Maine. It makes a number of observations that are intended to help clear up some of the misunderstanding surrounding this law.

The paper, however, does not deal with the policy areas of:

- 1. Proper amount of State/local funds for education
- 2. Alternative funding mechanisms and their constitutionality
- 3. Local-State control issues
- 4. Governor's position on Referendum
- 5. Quality of education
- 6. Capitol expenditures for education
- 7. Land use and economic development issues related to more Uniform Property Tax rates
- 8. The benefits of shared property taxes

we are included to the staff at the Bureau of Taxation and the Department of Education and Cultural Services for their assistance in providing factual data. However, full responsibilities for the results and any errors lies with the author. . .

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INTRODUCTION

Historically, local property taxes have been the backbone of public education finance in Maine communities, and indeed, throughout the United States. The result of this dependence upon local property taxes has been that communities with low property valuations in relation to their student populations either spent less on each pupil's education or subjected the property owners in those communities to rather severe tax burdens. Significant disparities in education opportunities between communities in Maine resulted from this situation.

State education policy has evolved over the past twenty years in an attempt to alleviate these disparities and encourage equal education opportunities for all students in Maine. This policy has evolved because of a belief in equal education opportunity. Indeed, the Maine constitution (Article VIII, Sec. 1) states that:

...the Legislature are authorized, and it shall be their duty to require, the several towns to make suitable provision, at their own expense, for the support and maintenance of public schools; and it shall further be their duty to encourage and suitably endow, from time to time, as the circumstances of the people may authorize, all academies, colleges and seminaries of learning within the State...

In 1973 the evolution of this policy to encourage and provide for public education was significantly accelerated with the enactment of the School Finance Law of 1973, often called L. D. 1994. This legislation dramatically altered the mechanism for financing public education in Maine by instituting the Uniform

- 1 -

Property Tax and adjusting the allocation formula for State aid to local public schools. This resulted in shifts in tax burden and levels of State aid among Maine communities and thus became the subject of considerable controversy.

Controversy surrounding this law has been intense and divisive, dividing Maine residents into proponents and opponents depending in large part upon where they live. Communities that lost revenues as a result of the School Finance Law have taken the leadership in a campaign to repeal its tax mechanism. The focal point of this campaign was a petition signed by 45,000 people in 1976 and delivered to the State legislature to repeal the Uniform Property Tax. According to the State Constitution this petition forces the 108th Legislature to either enact the proposal to repeal the funding mechanism or to put the question to public referendum in the next general election in 1978.

Maine people and the State Legislature are facing a very important decision and that decision must be based upon a clear understanding of the issues involved. The purpose of the State Planning Office in developing this report is to set forth a number of observations which will aid in making an informed judgment on this important question. The report focuses only on the <u>tax equity</u> implications of the School Finance Law. It does not propose answers to all the questions raised by the School Finance Law. Rather it presents a number of observations and conclusions on the equity issue that will assist each individual in making his or her own judgment on the tax equity of the current system of financing public education in Maine.

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Before presenting the observations it is helpful to outline the major changes in education finance that resulted from the School Finance Law of 1973 and that are still intact in the School Finance Law of 1976 which amended the previous legislation. The provisions put forth below are the essence of the current School Funding Law as it relates to tax equity.

First, the 1973 law increased the level of the State General Fund non-property tax contribution to municipalities for public education, i.e., those moneys which come into the General Fund through the broad-based taxes such as the income, sales taxes, etc. The General Fund non-property tax share of education costs from 1956 to 1974 had been increasing, on the average, at a rate of 16% per year. In 1974 the State's share increased a full 44%; that is from a 38% share to 50% share of the total public education costs in Maine.

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Second, the 1973 law eliminated the percentage minimum State aid to education. The level of State aid for education had for a number of years been based upon a sliding scale by which the percentage of communities' expenses which were subsidized by the State was dependent upon the property valuation per pupil in each community. However, before the enactment of the School Finance Act, communities received a minimum 18% of their education expenditures in a broad range of categorical assistance programs regardless of their state valuations.

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Third, the 106th legislature enacted a Uniform Property Tax which requires each community to generate at least 13.0 mills^{*} (presently) on their State valuation^{*}for educational purposes. Communities are now required to raise these funds without regard to the level of local education needs (determined by the State Legislature). Any funds that they raise over and above their needs through the Uniform Property Tax are sent to the State to be used to fund education in communities that raised less than their needs from the 13.0 mills property tax on their State valuation. Communities, however, during the current year, have the opportunity to assess higher taxes to improve their educational programs. There was a limit to local spending in the original law but this has been eliminated for a period of one year.

What is a "Pay-in" Community?

The generally accepted definition of a so-called pay-in community is any municipality which generates more than its state-designated school needs through the Uniform Property Tax. For example, in FY 1977 each pay-in community sent to the State the difference between its minimum education needs as determined by the legislature and the amount of income generated by assessing the Uniform Property Tax mill rate of 13.0 mills*on its State valuation. /

- 4 -

^{*} A tax rate of 13.0 mills means that property owners pay \$13.00 in property taxes for each \$1,000.00 in value on their property. This 13.0 mills is the mill rate which when applied to the total state valuation yielded about 46% of the total costs of operating public schools in Maine during fiscal year 1977.

^{**}State valuation is the full value of property in each community as determined by the State Bureau of Taxation. The procedure for measuring full value essentially consists of adjusting local assessments to 100% value through the use of sales ratios based upon observed market transactions.

According to this definition, there were 50 pay-in communities in FY 1977 and their net payment to the General Fund was \$4,464,371. Table la in the appendix lists these communities and their individual net contributions in FY 1977.

This definition and the list of the pay-in communities resulting from the definition obscures the true allocation of tax burden for education in Maine. In FY 1977, the total State subsidy for education (not including federal revenue sharing but including the pay-in portion) is expected to be \$137,640,466.* However, only \$4,464,371 or 3.2% is net pay-in from the Uniform Property Tax. Where does the rest of the State aid come from? It consists of some \$133,176,095 in sales, income, and other general fund revenues and comes largely from the higher income municipalities in the State.

This observation indicates that there is substantially more than \$4,464,371 being shared among communities for education purposes and there are certainly many more than 50 pay-in communities. Focusing on the 50 towns listed in Table 1a as the only communities that contribute to education costs in other communities is a misconception. The Education Finance mechanism in Maine is much broader in scope than a view of the 50 pay-in communities would suggest.

In the final analysis, a community is a "pay-in" community if the residents of that community contribute more to the costs of public education than they use in their own communities. An entirely different list emerges from this definition. A number of communities that were considered to be collecting communities under the currently accepted definition would, under this definition that accounts for contributions other than just property taxes, be categorized as "payin" communities.

*Source: Maine Dept. of Education & Cultural Services

Table l*illustrates that if the more general definition of a pay-in community as described above were applied, some communities previously categorized as receiving communities would emerge as payin communities. A formula developed by the State Planning Office was applied to each community to estimate what it contributed to the 50% State share of education costs from nonproperty tax sources. This formula is described in some detail in Table 1. The essential point of the formula is that each community contributes to general fund taxes for education in proportion to the level of income in that community. Although the formula cannot be expected to yield exact results it does give a good indication of where the non-property tax funds for education originate.

Table 1 orders the sample of communities beginning with those that pay in the most and ending with those in the sample that receive the greatest net subsidy. Column 5 indicates that many of the larger communities in Maine such as Portland, Lewiston and Bangor are in the final analysis pay-in communities. Although no attempt was made to estimate every community's status in terms of state aid, Table 1 does clearly indicate that sharing of broad-based tax resources is widespread throughout Maine.

* In order to facilitate clear presentation, only samples of the various groups of communities are analyzed in each table of this report. A more detailed presentation of the information in the report can be found in the appendix.

Analysis of the Flow of Tax Dollars for Education 1976-197					
Community	Total Allocation	Uniform Property Tax	Subsidy by* Current Definition	Non-Property** Tax Contribution To Education	Net Subsidy Considering* All Contributio.
Wiscasset Portland Lewiston South Portland Falmouth Raymond Bangor Millinocket Castine Carrabasset Valley Cape Elizabeth Waterville Auburn Augusta	929,500 12,733,500 7,347,500 5,118,300 1,817,700 443,900 6,170,500 2,263,400 132,300 26,100 2,537,100 3,947,100 5,262,700 4,790,500	3,412,500 8,320,000 3,672,500 3,045,200 1,118,000 588,900 2,808,000 1,643,200 199,600 180,000 1,101,100 1,773,200 2,158,000 1,996,800	-2,483,000 4,413,500 2,675,000 2,073,100 699,700 - 145,000 3,362,500 620,200 - 67,300 - 153,900 1,436,000 2,173,900 3,104,700 2,793,700	273,000 7,075,000 4,473,000 2,774,000 1,187,000 262,000 3,661,000 882,000 96,000 4,000 1,357,000 1,980,000 2,908,000 2,584,000	-2,756,000 -2,661,500 -1,798,000 - 700,900 - 487,300 - 407,000 - 299,000 - 261,800 - 163,300 - 157,900 79,000 193,900 196,700 209,700

his measure of net State contribution is arrived at by subtracting each community's Uniform Property Tax collections from hat community's total allocation for education. This is the current definition, i.e., column 1 less column 2.

This measure of Non-Property tax contribution represents each community's portion of educational financing from sources ther than property taxes. The following three steps summarize the estimation procedure used.

- Each town's personal income was estimated based upon the U.S. Office of Management and Budget's calculation of money income. This measure of money income was transformed to personal income for each town based upon the statewide ratio of money income to personal income statewide.
- 2) Next the percentage of personal income earned in Maine that goes into the general fund was multiplied by the percentage share of the general fund (not including uniform property taxes) that was spent on education in 1976. This factor was estimated to be 2.7%.
- 3) The product of town personal income and factor two yields an estimate of the dollar contribution of the residents in each community to the general fund for education. This is estimated to be 2.7% of each community's personal income.

***Column 5 is arrived at by subtracting Column 4 from Column 3.

Did the School Finance Law of 1973 Create the Pay-in Phenomenon?

This analysis suggests another very important point. There were pay-in communities long before the current system of education finance was implemented in 1973. The contributing or pay-in community originated with the concept of State Aid to education. The School Finance Law of 1973 did not create the pay-in phenomenon but simply extended it to property taxes. Portland, Lewiston, and Bangor have been contributing for years.

One could say that before the School Finance Law, property rich communities were given special treatment as compared to the communities enjoying higher incomes.

This observation questions the advisability of treating property taxes on a different basis thanother taxes in the funding of education. Property ownership can be viewed as income because it can be transform into an annual income. One could simply sell property, put the receipts in an income-earning asset such as a bank account, and enjoy the interest as income. Therefore, property taxes for education should not be considered differently than other taxes for education financing purposes. The funding mechanism in the School Finance Law assured that property taxes would not be treated differently in education finance.

What Does it Mean to be a Pay-in Community?

This report has pointed out the fact that the current definition of a pay-in community obscures the issue of the education finance burden:

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However, since the current debate continues to revolve around the plight of the pay-in communities as defined only in terms of property taxes, this section, and the next, present a number of observations on the situation in those communities.

First, one must understand why some municipalities pay-in. It is simple: they have few students relative to the State valuation in those communities. The pay-in communities (defined in terms of only property taxes) can be divided into two groups. One group consists of those communities with a relatively large percentage of their valuation owned by non-resident populations and, therefore, valuable seasonal homes and low student populations.

Group I in table 2 is an example of this type of pay-in community. The percentage of property owned by non-residents is high in this group ranging from 35% to 67% of total valuation. This results in relatively high valuation per pupil because non-residents educate their sons and daughters elsewhere. The valuation per pupil in this group ranges from \$93,886 to \$532,600.

The second group consists of those communities with very substantial industrial facilities and relatively low population densities. Table 2 gives two examples of communities in this group, one having two major electricity generating facilities and one having a large pulp and paper facility. The valuation per pupil in this group ranges from \$90,300 to \$304,900.

The valuation per pupil in the third group, the receiving communities, ranges in this sample from \$19,400 to \$56,605. The break-even point in 1976 was approximately \$74,800 per pupil. That is, communities with higher valuations than \$74,800 per pupil were for the large part pay-in communities. Valuation per pupil is the deciding factor.

- 9 -
| | | Valuation | | 75-76 Student Valuation Por | | Nio 4 | Etato Aid |
|-------------------|--|--|--|--|--|---|---|
| . <u></u> | | Resident | Non-Resident | Population | Student | State Aid | Per Student |
| Pay-In C
Group | Communities
5 I | | | | | | |
| | Castine
Islesboro
Carrabasset Valley
Raymond | 9,977,500
4,896,000
4,569,800
20,385,000 | 5,372,500
9,504,000
9,278,000
24,915,000 | 126
92.5
26
482.5 | 121,800
155,700
532,600
93,900 | -67,300
-55,700
-153,900
-145,000 | -534
-602
-5,919
- 301 |
| Group | o II* | | | | | | |
| | Wiscasset
Baileyville | 9,450,000
54,307,500 | 253,050,000
1,392,500 | 682
617 | 384,900
90,300 | -2,483,000
-92,000 | -3,641
-149 |
| Receivir | ng Communities | . · | | | | | |
| Group | DIII | | | | | | |
| | Vassalboro
China
Hermon | 11,900,000
11,564,000
11,534,000 | 5,100,000
8,036,000
4,266,000 | 759
601
815.5 | 22,400
32,600
19,400 | 455,100
315,100
640,500 | 600
524
785 |
| | Waterville
Lewiston
Portland
Millinocket
Augusta
Bangor
Cape Elizabeth | 109,120,000
226,000,000
399,424,000
122,608,000
127,641,600
164,160,000
84,000,000 | 27,280,000
56,500,000
240,576,000
37,920,000
25,958,400
51,840,000
700,000 | 3,500.5
7,008
11,302.5
2,154
4,200
6,147.5
2,123.5 | 39,000
40,300
56,600
58,700
36,600
35,100
39,900 | 2,173,900
2,675,000
4,413,500
620,200
2,793,700
3,362,500
1,436,000 | 621
382
390
303
665
547
676 |

Table 2 Analysis of School Aid

*Wiscasset and Baileyville have relatively high valuations per pupil because of the industrial tax base in those communities relative to the population. Baileyville, however, classified the paper mill in that community as resident property whereas Wiscasset classified the generating facilities as non-resident property.

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Is The Property Tax Burden Excessive In the Pay-In Communities As A Result of the Pay-In Provision?

Two things happened to the fiscal structure of the pay-in communities with the passage of the School Finance Law of 1973. Before the 1973 law all communities enjoyed State aid to education because, as was mentioned in the introduction, there was a minimum state subsidy of 18% for a broad range of local educational expenditures. After 1973, those communities now classified as pay-in no longer received State aid. In addition, those communities were required to share the property taxes which were generated on their full value tax base at the Uniform Property Tax rate but were not needed to fund the State-determined educational expenditures. Table 3 presents the history of State aid in what are now ten pay-in communities. The School Finance Law took effect in 1974-75 and a substantial change in the level of aid can be seen at that point. This phenomenon inevitably resulted in increased property taxes in those communities. But did this increase result in excessively high property taxes in those communities relative to other communities?

	State Aid	<u>Table 3</u> to "Pay-In" (1973 - 1977*	Communities		
Community	1973-74	1974-75	1975-76	1976-77	
Baileyville	76,691	- 12,583	- 126,460	- 91,987	anna an
Boothbay Hbr CSD	72,058	- 96.577	- 324,173	- 1,587	
Bristol	50,135	28,486	- 74,774	- 45,475	
Brooklin	8,829	- 18,984	~ 59,927	- 54,478	
Damariscotta	2,681	8,693	- 4,835	- 2,719	
Mt. Desert	19,542	26,881	- 247,879	-210,765	
Pleasant Ridge Plt.	5,285	- 54,400	- 111,025	-121,686	
Raymond	27,492	- 38,916	- 191,693	-145,011	
South Bristol	14,561	- 497	- 31,345	- 26,562	
Wiscasset	37,288	-491,447	-2,470,597	-2,483,010	

*Data Source: Maine Department of Education and Cultural Services

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An analysis of the data presented in Table 4 sheds some light on this question. The most striking observation is that, on the average, property owners in a sample of pay-in communities listed in Table 4 are assessed lower property taxes on each \$1,000 valuation than are the average property owners in Maine. This can be seen by comparing the full value mill rates in column 1. In fact, the average mill rate in all pay-in communities in 1976 was 19.7 while the average mill rate in the collecting communities was 28.0.

In dollar terms this means that if all property in each community is valued at 100% of State valuation, then a \$20,000 property will be taxed \$394 in an average pay-in community and \$560 in a receiving communit a \$30,000 property will be assessed \$591 in an average pay-in community and \$840 in a receiving community; and a \$40,000 property will be assessed \$788 in an average pay-in community and \$1,120 in a receiving community. These full-value taxes include taxes for both education and municipal services. This analysis suggests that property taxes are not excessive in the pay-in communities and are, in fact, an average of 30% lower than they are in collecting communities. Columns 2-4 in Table 4 illustrate that the pay-in communities, ever since the enactment of the Uniform Property Tax, are on the whole subject to lower property taxes than are the receiving communities.

Table 1b in the appendix presents the data found in Table 4 for all contributing communities. A review of Table 1b indicates that there are twelve pay-in communities with mill rates above the State average. However, a large percentage of the property in these communities is classified under the Maine Tree Growth Tax.and, therefore, have relatively low evaluations. Any minor local expenditures in any given year will have a substantial impact on the full-value tax rate.

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TABLE 4						
	Relative	Property Tax Bu	Irdens, 1976			
•	Effective Tax Rate*		Taxes Paid on Proper	ty Valued At**		
e * '	In Mills	\$20,000	\$30,000	\$40,000		
Pay-in:		99999272222222222222222222222222222222	an na an a			
Castine Islesboro Carrabasset Raymond Wiscasset Baileyville	21.3 20.1 Valley 20.8 21.0 17.8 24.0	426 402 416 420 356 480	639 603 . 624 630 534 720	852 804 832 840 712 960		
Receiving:						
Falmouth Vassalboro China Hermon Waterville Millinocket Lewiston Portland Bangor Cape Elizabe	26.0 24.0 18.6 28.2 31.8 26.7 30.1 36.5 42.1 th 31.2	520 480 372 464 636 534 602 730 842 624	780 720 558 696 954 801 903 1095 1263 936	1040 960 744 928 1272 1068 1204 1460 1684 1248		
STATE AVERAGE	27.1	542	813	1084		

* This mill rate is arrived at by dividing the total 1976 Tax Assessment in each community by the 1976 State Valuation of that community. These are full value effective tax rates. All basic data is from the State Bureau of Taxation.

** It should be noted that this analysis of the burden on sample valuations is valid under the assumption that all property, regardless of the owner's status, is valued on the same grounds. If, for example, in any community industrial and commercial property are over-valued relative to residential property, then a \$30,000 home might in fact be assessed property taxes that are lower than Table 4 would indicate. The same qualification holds in the case where non-residential property is valued on a different basis than is residential property. This report assumes that all property within each community is valued on the same basis.

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The analysis up to this point demonstrates that pay-in communities do not have an excessive property tax burden when compared to other communities in Maine as a result of the School Finance Law. Their property taxes have, however, increased because of the Uniform Property Tax (UPT). But by how much?

This question can be answered by means of a comparison. Column 1 in Table 5 presents the amount of taxes that the pay-in communities would have been assessed in 1976 if the pay-in (the UPT) provision of the School Finance law did not exist. Column 2 lists the actual tax commitment in those communities in 1976, and Column 3 presents the difference resulting from the Uniform Property Tax.

A comparison of the last two columns illustrates the impact in terms of mill rates of the pay-in provision on this sample of net contributing communities. The average increase for the six communities in the sample is 6 mills. The average increase for all contributing communities in the State is 5 mills. The information found in Table 5 is presented in Table 1c in the Appendix for all contributing communities.

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ی رو و می اور					(1977		
Municipality	Withou	<u>Tax Asse</u> t Pay-in	ssm Wi	ent** th Pay-in	<u>Pay-In Impact</u>	Effect <u>Mill Rate</u> Without Pay-In Prov.	tive Impact With Pay-In Prov.
Castine	\$	260,067	\$	327,384	67,317	16.9	21.3
Islesboro		273,589		329,277	55,688	16.7	20.1
Carrabasset Valle	ey	134,185		288,128	153,943	9.7	20.8
Raymond		804,508		949,519	145,011	17.8	21.0
Wiscasset	2	,184,644	4	,667,654	2,483,010	8.3	17.8
Baileyville	1	,246,148	· 1	,338,135	91,987	22.4	24.0
All Contributing Communities	12	<u>,</u> 400,000	16	,900,000	4,500,000	14.5	19.7

TABLE 5 Tax Impact of the Pay-In Provision on Communities*

* All values and rates are at 100% or full value

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** This tax assessment without the pay-in provision was calculated by subtracting the net contribution from the 1976 tax assessment in the pay-in communities.

Table 6 illustrates the dollar impact of the pay-in provision on three properties with different assessed values. The last row of this table indicates that the average increase in property taxes resulting from the UPT was 27% in FY 1977.*** However, the table points out that there is a substantial difference in impact among the six communities in the sample. For example the taxes on a \$30,000 piece of property in the average of these six increased \$166 from \$459 to \$615. But in one community in the sample, (Wiscasset) the burden on a \$30,000 piece of property increased \$285 from \$249 to \$534, and in Baileyville the burden increased \$48 from \$672 to \$720.

Reference to Table 4 indicates that the State average property tax assessment for a \$30,000 full value property is \$813.

***This increase is based upon the 1975 State valuation and does not consider the proposed 1977 valuation.

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TABLE 6

Municipality	Tax Paid	on Property V	alved* at	
······································	\$20,000	\$30,000	\$40,000	
Castine	426	639	852	ge waard gewegen op en wegen gegelen de skriften wegen gewegelen die en weg
Increase	88	132	176	
% Change	21%	21%	21%	
Islesboro	, 402	603	804	
Increase	68	102	136	
% Change	17%	17%	17%	
Carrabasset Valley	416	624	832	
Increase	222	333	444	
% Change	53%	53%	53%	
Raymond	420	630	840	
Increase	64	96	128	
% Change	15%	15%	15%	
Wiscasset	356	534	712	
Increase	190	285	380	
% Change	53%	53%	53%	
Baileyville	480	720	960	
Increase	32	48	64	
% Change	7%	7%	7%	
Average **	417	625	833	
Increase	111	166	221	
% Change	27%	27%	27%	

1976 Tax Impact of the Uniform Property Tax on Typical Properties

* Property values are all at 100% or full value

**Average is for these six pay-in communities

A Final Note

This report has addressed the tax equity implications of the present school funding mechanism in Maine. It has pointed out that the current definition of a pay-in community takes into consideration only the sharing between communities of property taxes for education and not the sharing of other state taxes. It further notes that the pay-in phenomenon, looked at in terms of all taxes, is not a new concept created by the School Finance Law of 1973. It then looks at the factors determining the level of State aid in each community. Finally, it compares the tax burdens in the pay-in communities to the tax burdens in other communities in Maine and the results suggest that the pay-in communities do not have an excessive burden relative to receiving communities.

An understanding of the uniform property tax aspect of the School Finance and the equity considerations of this tax is an important element to an informed judgment about the law. There are, however, other considerations relating to the law and these should also be addressed in a final analysis of the School Finance Mechanism in Maine. These are:

- 1. Proper amount of State/local funds for education
- 2. Alternative funding mechanisms and their constitutionality
- 3. Local-State control issues
- 4. Governor's position on Referendum
- 5. Quality of education
- 6. Capitol expenditures for education
- Land use and economic development issues related to more Uniform Property Tax rates

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8. The benefits of shared property taxes

Tax equity, however, is an overriding concern in the public financing of education and was therefore the main focus of this report.

Acton		\$ 117,025
Baileyville		91,987
Beaver Cove Plt.		30,838
Beddington		14,128
Blue Hill		2,613
Boothbay		700
Boothbay Harbor		887
Bowerbank		33, 510
Bremen		70, 481
Bristol		45, 475
Brooklin		54, 478
Broaksville		45, 362
Carrabasset Valley		153, 943
Castine		67,317
Centerville		5,444
Coplin Plt.		2,704
Cranberry Isles		29,095
Dallas		659
Damariscotta		28,880
Deblois		10,104
Elliottsville Plt.		9,509
Georgetown		35,780
Glenwood Pit.		10,400
Grand Falls Plt.		7,540
Isle au Haut		24,434
Isleeboro		55,688
Kingsbury Plt.		7,312
Lakeville Plt.		13,705
Lincoln Plt.		26,155
Monheagn Plt		15.038
Mora Plt.		66
Mount Desert		210,765
Nashville Plt.		18,001
Newcostle		18.347
Northfield		4,943
No 14 Plt		7 499
Orient		5,787
Otic		3 629
Placent Pidea Plt		121 686
Papaolov Pit		52,908
Paymond		145 011
Romo		10 224
Sandy Pivor Pit		26 AAQ
Sanay River Fil.		26 562
So. Brision		20,502
Sournport		2/1 ₈ 514 737
Tranton		9 002
Weekman and DL		₹ <i>₽</i> ₩\3& ₽ २ ~~~
Wortport		$1_{p}1//$
		20,003
Wiscasser		2,403,010
	_ 19 _	SA 464 371

		TABLE 15		KE /137 790 M23 1
LAW & LEGISLATIVE REFERENCE LIE	BRARY	• -		The uniform propert
The Uniform property tax		F TAY PATES FOD DA	V_IN COMMU	of continuance
	- 4 _ AND BI	JRDENS ON SAMPLE PI	ROPERTY	
Pay-in communities	Effective	\$20,000	\$30,000	\$40,000
	Tax Rate	₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩₩	an China an Indonesia	an - and the second and the first of the second
Acton	.0163	326	489	652
Baileyville	.024	480	720	960
Beddington	.033	660	990	1320
Blue Hill	.0211	. 422	633	844
Bowerbank	.0205	410	615	820
Bremen	.0172	/ 344	516	688
Bristol	.0198	. 396	594	792
Brooklin	.01/4	. 348	522	696
Brooksville	.015/	/ J 4 ////	4/1	028
	.0213	420	773	054
Conlin Dit	0221	402	663	· 884
Company isles	0217	442	651	-3 <u>868</u>
Dallas Plt	.0197	394	591	788
Damariscotta	.0178	356	534	712
Deblois	.030	600	900	1200
Elliot Plt.	.0358	716	1074	1432
Georgetown	.0219	438	657	87 6
Glenwood Plt.	.0296	592	888	1184
Great Falls Plt.	.0358	716	1074	1432
Isle au Haut	.0251	502	753	1004
Islesboro	.0201	402	603	804
Kingsbury Plt.	.0294	588	882	1176
Lakeville Plt.	.0288	5/6	864	1152
Lincoln Plt.	.0278	556	834	1112
Monhegan	N.A. 0246	602	1020	100/
Moro Pit.	.0340	092 516	77/	1004
Mt. Desert Nachvillo Pl+	.0258	140	210	280
Nashville Fic.	0180	360	540	720
Northfield	.0287	574	861	1148
No. 14 Plt.	.0283	566	849	1132
Orient	.0211	422	633	844
Otis	.0179	358	537	716
Pleasant River Plt:	.0246	492	738	9 84
Rangeley Plt.	.0273	546	819	1092
Raymond	.021	420	630	840
Rome	.019	380	570	760
Sandy River Plt.	.0163	326	489	652
South Bristol	.0179	358	537	716
Southport	.0159	318	4// 202	636
Talmadge	.0261	522	/83 AFC	1044
Irenton	.0152	304	400 625	008
West, PIT.	.01/5	300	323 605	/UU 700
Westpurt Wiscassot	.0195 0179	330 756	505 521	700 712
Carrahacot Vallov	0208	416	624	A32
Beaver Cove Plt	.0236	472	708	944
Boothbay	.0197	394	591	788
Boothbay Harbor	.0194	388	582	776
State Ave.	.0271	542	813	1084
				· ·

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