MAINE STATE LEGISLATURE

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STATE OF MAINE
113TH LEGISLATURE
SECOND REGULAR SESSION

FINAL REPORT
OF THE
SPECIAL COMMISSION TO STUDY
SCHOOL FUNDING
AND
STATE TAX LAW

January 1989

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LIST OF RECOMMENDATIONS

RECOMMENDATION: The Legislature should create a commission to examine the assessment practices of local communities with the intention of making local assessment practices more uniform across the state and within every municipality.

RECOMMENDATION: The Bureau of Taxation should update the State of Maine Assessment Manual.

RECOMMENDATION: Costs of out-of-district placements in excess of three times the secondary per pupil operating rate shall be added to a school unit's program allocation in the current year. A transition provision should be used for students who are already in out-of-district placements.

RECOMMENDATION: The percentage state share should be increased to 58% for the 1990-91 school year and 60% for the 1991-92 school year.

RECOMMENDATION: The existing Household Tax and Rent Refund program should be strengthened by raising the income cap for those eligible and increasing the maximum benefit. The relief for property taxes should be sent to the town and credited to the recipient's coming tax bill.

RECOMMENDATION: Minor capital costs for roof repairs, asbestos removal and underground oil tank removal should be moved from general operating to the debt service sections of the school funding formula.

RECOMMENDATION: School administrative units should be able to add the salary cost for professionals in new or expanded special education or gifted and talented programs for the year prior to the year of allocation on to their program allocation.

I. INTRODUCTION

The Second Regular Session of the 113th Legislature enacted several changes to the formula by which Maine subsidizes local expenditures for public elementary and secondary education. Some of these measures were submitted by the School Funding Task Force established by the Commissioner of Educational and Cultural Services in 1987. Other bills were submitted by individual legislators.

While the bills tried to address certain complaints directed at the formula, the Joint Standing Committee on Education felt there was a need for a more general review of the formula's underlying philosophy and provisions. To address these concerns relating to the formula and the equity of the property taxation system for funding local programs, the Education Committee incorporated the creation of a commission to study "the School Finance Act of 1985 and Related Property Tax Law" into the bill enacting recommendations from the Commissioner's Task Force (An Act to Increase the State Funding of Educational Costs, PL 1988, c. 848, Sec. 11.) The charge of the commission was broad and included reviewing the history and performance of the school funding formula and the state valuation and local property taxation processes.

The following report presents a description of the school funding formula and state valuation processes. In regard to property valuations, it further summarizes the commission's examination of the relative growth in property values in communities across the state, the changes in the mill rates for education over time and the effect of local assessment practices on equity for taxpayers. In terms of the school funding formula, the report presents the commission's consideration of the differences in per pupil expenditures among communities. Finally, it reviews the commission's discussions of a variety of proposed alterations to the formula and recommends adoption of certain of them.

II. HOW MAINE FINANCES ITS PUBLIC SCHOOLS[1]

Overview

Two principles drive Maine's school finance law. One principle is to provide equal funding behind pupils in all school units in the state. The other principle is to equalize the tax burden on individual taxpayers regardless of the property wealth of the school unit in which they pay property taxes. This translates into providing more state aid for poorer school units and fewer state dollars for richer units. The principles, and the formulas used to implement it, are designed to assure that the quality of education a pupil receives does not depend upon the wealth of his or her school unit.

School unit wealth is measured by the per pupil value of real property in each unit because real property taxes are almost the only means by which units raise funds. (All property valuations used in school funding formulas are based on figures adjusted by the state to reflect fair market value of property and therefore are not subject to local variations in assessing practices.)

Under the 1984 School Finance Law, at least 55% of the total subsidizable cost of Maine's public school system is paid by the state, with the balance coming from the local districts. This does not mean, however, that each district receives 55%. Depending on its "property wealth per pupil", a district may receive a minimum 5% of operating costs or it may receive up to 95% of the subsidizable portion of their expenditures from the state. The subsidizable portion is called a unit's allocation. It has three components: operating costs, program costs, and debt service costs.

Expenditures above the subsidizable allocation are local costs.

Operating Costs:
Determining the State and Local Percentages

The most complicated part of Maine public school funding is determining how much (what percentage) of each unit's operating allocation will be paid by the state. Once the percentage is calculated, it is also used as the first step in determining the amount of state funding for other aspects of education. (See the following section on Funding Other School Costs.)

The percentage of state funding for a unit's operating allocation is based on enrollment and property values in that unit. The key factor is how many dollars worth of real

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1. For a longer discussion of the funding formula and related issues see Appendices A and C.

property (using state adjusted fair market valuations) there are, on a per pupil basis, in a district and how that number compares with the average for the state as a whole. Units where the pupil value of real property is higher that the state average will receive less than 55 percent of state funding for their operating cost allocation. Units where the per pupil property value is less than the state average will receive more than 55 percent state funding. In other words, towns with high property values and few pupils will get less from the state than towns with lower values and more pupils.

The percent of state aid for each school unit is designed to equalize the mill rate assessed taxpayers on the fair market value of their property for their school unit's operating allocation. School units which receive no state aid have the capacity (property wealth per pupil) to collect sufficient property taxes to fund their operating costs at a mill rate less than the equalized rate established by the school funding formula. School units which receive a large percentage of state aid have a limited capacity to raise money to fund their school unit's operating costs at the equalized tax rate and hence require significant amounts of state aid to bring them to a par with wealthier units.

Operating Costs:
Determining the Dollars

Once the percentages of state and local operating funds have been determined for a school unit, it is possible to calculate the actual dollar amounts.

The State of Maine recognizes that it costs more to educate a high school pupil than a pupil in the elementary grades. It also recognizes that school units do not all spend the same amount per pupil. The state, therefore, limits the amount of operating costs it will participate in subsidizing to the elementary and secondary per pupil operating rates. These rates are calculated by updating two year old statewide averages to an estimate of one year old costs. Funding for the 1988-89 school year is based on a calculation of a $2,471 in operating rate per elementary student (grades K through 8) and a $3,324 rate per high school pupil. (In recent years these figures have been going up at the rate of $100 or more per year.) The number of state and local dollars to be paid to or raised by a unit for operating costs is determined as follows:

> 1. The current figure for per pupil costs in elementary and high school grades is multiplied by the number of pupils in each category within the unit and these two numbers are added together.

> > *EXAMPLE:* A unit has 550 high school pupils and 750 elementary pupils -- $3,324 x 550 = $1,828,200; $2,471 x 750 = $1,853,250. The total operating cost

allocation for this unit with its 1,300 pupils is
$3,681,450 ($1,828,200 + $1,853,250).

2. The total calculated in the Example ($3,681,450) is
multiplied by the percentages (as explained in the previous
section on Determining State and Local Percentages) to
determine how many operating dollars will be provided by
the state and how many by the district.

> *EXAMPLE:* If the unit is relatively "poor" and, for
> example, entitled to 75% state funding for operating
> costs, the state share will be .75 x $3,681,450 or
> $2,761,087, leaving a balance of $920,363 ($3,681,450
> - $2,761,087) to be raised from the local taxpayers.

As indicated above, many units spend above the per pupil
operating rates. These additional expenditures are the
responsibility of local taxpayers. They are not equalized.
Wealthier school units can raise an additional amount per pupil
on a much lower mill rate than poorer units.

Funding for Other School Costs

Maine provides funds annually to its local units for two
other types of costs, in addition to operating costs. These
dollars are for program costs and for debt service.

1. Program Costs - This category includes funds for five
types of costs: Special education, vocational education,
early childhood education, operation of the unit's
transportation system, and bus purchases. The first four
are based on two year old costs updated to estimate one
year old costs. Bus purchases are based on one year old
costs.

2. Debt Service - The Debt Service Allocation for each
unit consists essentially of the current year's payments of
principal and interest, approved lease costs for the
previous year, and an insured value factor for private
school tuition.

The state recognizes that school units have different
expenses in these areas. In order not to overburden taxpayers
in units with high expenses, the formula has a circuit breaker
for both categories which limits the local share to a maximum
mill rate. In 1988-89, the circuit breaker is 1.40 mills for
program costs and .60 mills for debt service costs. Until a
unit reaches the circuit breaker levels, the state shares these
costs with a unit at the same percentage of state aid that it
shares operating costs. The state assumes responsibility for
the local share above the circuit breakers.

Summing It Up

Adding up the state payments for the operating, program, and debt service allocations for each unit gives the total amount which the unit receives under the state school funding law. The local costs are the sum of the local share of the three portions of the units subsidizable allocation plus any amounts spent above the allocation amount.

Adjustments

In addition to the general formula outlined above, there are several adjustments made to address particular issues affecting small numbers of individual units. Most of these were part of the original equalization formula enacted in the early 1970's while a couple were enacted later.

As part of the original formula, there was a recognition that very small units and isolated units have higher per pupil costs than larger and less isolated units. In addition, there was a recognition that in school units with a rapidly growing school population, the pupil count used in the formula lagged behind the actual number of students in the school. Hence, adjustments are made for school units which fit any of these three categories. As part of the revision of the school funding formula in 1984, a quality incentive was added to encourage units which spent above the state per pupil average for general operating costs. This incentive was set at 50% of the amount spent above the per pupil operating cost times the unit's percent of state aid for general operating costs.

Recent Changes

Prior to the 1989-90 school year, school units received additional aid for the adjustments for isolation, small size and rapid growth only if they raised their full local mill rate share. One of the changes enacted by the Second Regular Session of the 113th Legislature allows school units to receive the adjustment even if they could fund their school expenditures on less than the local mill rate share.

Finally, to address the concerns of units which receive little or no state aid or who were experiencing a rapid decrease in their state aid two additional provisions were enacted in 1988. One provision provides a minimum state aid equal to 5% of the a unit's general operating allocation. The other guarantees that the state subsidy for operating costs cannot be less than 90% of the state subsidy for the previous year.

III. STATE VALUATION PROCESS

The State provides aid to municipalities based on local property tax capacity and local effort. Because local assessment practices vary and because local assessments are often several years out of date, the Bureau of Taxation developed a State Valuation process to adjust local assessments up to a standardized estimate of the full (just) value of the property in each municipality.

As indicated in Table 1 the Bureau of Taxation classifies property into 5 different categories: residential; commercial, industrial and personal; electrical utility; acreage in current use; and undeveloped acreage. For calculation purposes, residential property may be divided into up to three sub-categories: waterfront, non-waterfront, and condominium. The method of determining the State Valuation differs from category to category. The various methods are outlined in the table and described in the following sections. A municipality's State Valuation of its property is the sum of the adjusted valuation of property in each of these categories.

Table 1 - Types of Property and Methods of Determination of State Valuation.

Type of Property	Method of Determination
Residential	Assessment-Sales Ratio
Electrical Utility	State Tax Assessor
Commercial, Industrial, and Personal	Certified Ratio
Acreage in Current Use	Per Acre Value
Undeveloped Acreage	Per Acre Value

Determination of State Valuation in Each Category of Property

Residential Property

The Bureau of Taxation defines residential property as land and structures, used, or suitable for use, as a place of residence either on a full-time or seasonal basis. They may further divide this category into land involving waterfrontage, land not involving waterfrontage and condominiums if the local assessment practices warrant further distinctions.

This distinction between waterfront and non-waterfront property is a procedural change starting with the 1988 tax year to take into account that waterfront properties were inflating

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faster than other residential property. The Bureau has already been analyzing condominiums separately because they are often assessed closer to full value than other property.

A municipality's State Valuation for these categories of residential property is generally based on the municipal valuation and is adjusted to reflect the full market value (as indicated by recent sales) and supplemental assessments and abatements. These adjustments are necessary since municipalities have historically assessed property at less than full value. In order to assure that property across communities are assessed on the same relative scale, state officials adjust the municipal valuations upward to 100% of its full (just) value.

The Average A/S Ratio

The initial step involved in determining the State Valuation adjustments for the different categories of residential property in a municipality occurs at the time the property is sold (transacted). At this point a Declaration of Value is filed with the Registry of Deeds. The Declaration of Value lists the price paid for the transferred property, the municipality in which the property is located, and other pertinent information regarding the transaction. This information is then provided to the Property Tax Division of the Bureau of Taxation. The Bureau of Taxation then requests the local assessor to provide an assessed value of the properties in question and to eliminate all sales which are not arms-length transactions. With this information, the Bureau of Taxation determines an assessed value to sales price ratio (A/S Ratio) for each transfer of real property that has occurred in the municipality between July 1st preceding the April 1 start of the property tax year in question and the following June 30th. The individual A/S Ratios are used to compute an Average A/S Ratio for residential property (or separate ratios for waterfront, non-waterfront and condominiums if warranted).

A minimum of 12 acceptable sales is required to determine the Average A/S Ratio for a specific municipality. If there is not a sufficient number of sales available within the current year (July/June), sales data from the previous year will be combined with the current year's sales to create a 2-year average A/S Ratio sales study. If a sufficient number of sales cannot be produced by utilizing a 2-year study, then on-site appraisals by Bureau of Taxation field personnel will be conducted in order to obtain the required number of cases (12).

The next step involved in calculating the Average A/S Ratio requires that the individual A/S Ratios are placed in ascending order, from the lowest ratio to the highest ratio. The top and bottom quarters of this list are removed from the sample, thus eliminating extraneous high and low ratios. The remaining A/S Ratios are totaled and divided by the number of transfers remaining, thus producing the Average A/S Ratio.

The Average A/S Ratio for residential property, or the individual ratios for waterfront, non-waterfront and condominiums, are used to adjust the municipal valuation. The adjustment process itself involves simply dividing the sum of the municipal valuation of all, or the individual categories of, residential property by their respective Average A/S Ratios. The resulting figure is the State Valuation for waterfront and non-waterfront property in the municipality. The adjusted value of a municipality's residential property plus the adjusted value of their commercial and other types of property described below determine the municipality's total state valuation. The local assessment of the total taxable property of the municipality divided by the adjusted state valuation of that property determines the State Valuation Ratio for the municipality.

If the State Valuation Ratio of a municipality is less than 70%, the municipality will receive notice from the Bureau of Taxation that this ratio must be improved. This can be accomplished by either revaluating the property in the municipality or simply factoring the assessed values. Factoring the assessed values is simply a mathematical manipulation which involves adjusting the municipality's assessed values of each property upward by a specified percent so that the total municipal valuation of property is closer to the full value of the total property in the municipality. If factoring is done, the municipality must have a reasonably good quality rating (described below). Over time, just factoring the existing municipal valuation will invariably reduce the equity of assessments in the municipality.

Quality Rating

The Bureau of Taxation also calculates a Quality Rating for residential property in each municipality. This rating is based on the Average A/S Ratio and the average deviation from the Average Ratio. (As with the A/S Ratio, the Bureau may calculate separate Quality Ratings for each of the three sub-categories of residential property).

The deviation for each sale is the difference between the individual A/S Ratio for each sale and the Average A/S Ratio, or the A/S Ratio for that category of residential property. This difference can be either positive or negative. The Average Deviation is the sum of the absolute values (minus signs are ignored) of the individual deviations divided by the number of sales. In this calculation all sales are used, not just the middle 50%.

The Quality Rating of residential property (or the individual ratings for each of the categories of residential property) in a municipality is calculated by dividing the

Average Deviation by the Average A/S Ratio. The Quality Rating is therefore a combined figure and sensitive to variation in both the Average A/S Ratio and the Average Deviation. It is an indication of the equity of the tax rates in the municipality.

If the Quality Rating of a municipality is greater than 20, the municipality will receive notice from the Bureau of Taxation that the quality rating must be improved. The Quality Rating can be improved by revaluating the property in the municipality to decrease the Average Deviation, or by a review of existing valuations.

Electrical Utility Property

The category of electric utility property, as defined by the Bureau of Taxation, includes, but is not limited to, the following properties owned by a regulated utility: generating facilities, transmissions systems, and distribution systems. The State Tax Assessor annually appraises each electrical generating facility in order to determine its State Valuation. The State Valuation of transmission and distribution systems is based on values recommended by the State Tax Assessor and distributed annually to the municipalities.

Commercial, Industrial, and Personal Property

The Bureau of Taxation defines the types of property in this category as follows:

- Commercial property is real property used for business purposes, including dwelling units (with four or more rented or leased units), housing projects, stores, shops and recreational facilities.
- Industrial property is a combination of real property and personal property used for business purposes. The business must employ a minimum of 5 persons engaged in the assembling, processing, or manufacturing of finished or partially finished products from raw materials or manufactured parts.
- Personal property is any property subject to taxation which is not real property, such as machinery or equipment.

The State Valuation of this category of property is based on the Certified Ratio reported by the municipality to the Bureau of Taxation. The calculation is made by the local assessor and is certified by each municipality to the State Tax Assessor. This ratio is compared to the A/S Ratio of residential property in the municipality. If the absolute difference in these two ratios is less than 10%, the Certified Ratio provides the basis for computing the State Valuation of this category. If the absolute difference in these ratios is greater than 10% the average of these two ratios provides the basis for calculating the State Valuation. For the larger

industries, the Bureau of Taxation conducts an independent valuation of the property, or reviews the municipality's method of assessment.

Acreage in Current Use

The category of Acreage in Current Use includes land classified for tree growth, farmland, and open space.

Classified Tree Growth Acreage

State Valuation of tree growth acreage is the per acre values developed by the State Tax Assessor in accordance with the provisions of the Maine Tree Growth Tax Law. Per acre values are calculated on a countywide basis.

Classified Farmland Acreage

State Valuation of farmland is the per acre values developed by municipal assessors in accordance with the provisions of the Farm and Open Space Law. The State Valuation in areas of intensive farming is the average sales price per acre developed annually through studies of sales conducted by the State Tax Assessor. In cases when the undeveloped acreage values, described below, exceed the municipal values for farmland acreage, the undeveloped acreage values will be used.

Classified Open Space Acreage

The State Valuation of open space land is based on the State Valuation of undeveloped acreage, or the per acre values developed by the municipal assessors of the particular municipality, whichever is greater.

Undeveloped Acreage

Undeveloped acreage is land not used for industrial, commercial, residential, seasonal, agricultural, tree growth, or farm and open space classification purposes. The State Valuation for undeveloped acreage is based on the average sales price per acre as determined through studies conducted by the State Tax Assessor. These studies are based on sales data from the three prior fiscal years.

Timeline for Determining State Valuation

Because of the need to provide an opportunity for municipalities to comment on and appeal the Bureau of Taxation's adjustment of the local assessments, or the Bureau

of Taxation's assessment of property, the time from when property is added to the taxrolls, or existing properties assessed, to the time when it is used in the allocation of state subsidies in the various state aid formulas takes about two years. An example of the process is provided below and in Diagram 1.

The 1989 State Valuation, which is used for the 1990 fiscal year (July 1989-June 1990), is based on the municipal valuation of property during the 1987 (starting April 1, 1987) property tax year and sales during the 1988 (July 1986 – June 1987) fiscal year. The initial sales data for each town (called a turn-around document or T.A.) is given to town officials in September or October 1987. From receipt of the turn around document through July 1988, the town officials have an opportunity to reject any sales data which is not based on an "arms length" transaction. From November 1987 to July 1988, the State conducts field audits and municipal assistance visits. The Bureau sends its preliminary State Valuations to each town in July or August 1988 for a period of comments and informal hearings. The final proposed State Valuations are sent out by September 1, 1988. The towns have 45 days from receipt of the proposed valuation to initiate an appeal. The State Board of Property Tax Review must render a decision on any municipal appeal by January 15, 1989. The Bureau makes its final certification to the Secretary of State by February 1, 1989..

Diagram 1: Timeline for the 1989 State Valuation Computation

APRIL 1, 1987
Start of tax year
to add new property

MARCH 31, 1988
Close of the tax year
to add new property

FEBRUARY 1, 1989
Certification of
State Valuation

MARCH to
JUNE 1989
State and
local
budgets

JUNE 30,
1988 End
of Field
visits

JUNE 30,
1987 End
of sales
data

JANUARY 15
1989 End
of State
Board of
Property
Tax Review
determinations

JULY 1
1989
Subsidy
paid &
used

JULY 1
1988
Prelim.
State Val.
sent to
towns

JULY 1
1986
Start
sales
data

NOVEMBER 1, 1988
Start of field
visits

SEPTEMBER 1, 1988
Proposed State Val.
sent to municipalities

OCTOBER 1, 1987
Initial data sent to
municipalities

IV.   STATE VALUATION AND LOCAL ASSESSMENT PRACTICES

As described in a preceding section, the state valuation process is designed to adjust the total local valuations of each municipality to the same uniform standard. As part of making the adjustment, the Bureau of Taxation compares the market value of recent sales of residential property to the locally assessed value of that property. The comparison on individual sales are averaged across all sales in the municipality. The total value of residential property adjusted by the town's A/S ratio is then combined with the adjusted value of other types of property to bring the locally assessed value of each community to the same relative (full value) standard called the State Valuation.

However, the calculation of State Valuation for a community does not assure that individual taxpayers within a municipality are treated equitably. The quality rating computed by the Bureau of Taxation is a measure of the degree to which the purchase price of recent sales deviates from the adjusted local valuation. The State requires revaluation if the Quality Rating is greater than 20. However, even with a Quality Rating of under 20 significant disparities can exist.

To assess the impact of local assessment practices, the commission examined the sales of residential properties in 5 municipalities. This examination compared the sale value with the assessed value of each property. Two graphs were created for each town. The first graph in each town set compares the sale value of the property with the assessed value and the assessed value adjusted by the town's A/S ratio. The bottom line in the graph is the assessed value and the top line is the adjusted assessed value. In communities with low A/S ratios the space between these two lines is larger than in towns where the A/S ratio is high. The individual data points above and below these lines represent the actual purchase price. Municipalities with poor (high) quality ratings have a wider scatter around the graph lines than those with better (low) quality ratings.

The second graph in each set represents the rank ordering of the actual property tax mill rate for public schools recalculated on the full (sale price) value for each property in the sample. The tax rate for the state subsidized portion of the school budget was 9.3 mills on the adjusted local assessed value of property (operating mill rate plus the program and debt service circuit breakers). The actual property tax mill rates paid by property owners calculated on the sale value, range from 3 mills to 16 mills.

The towns selected for the analysis, with their respective A/S and quality ratings are:

	A/S Ratio	Quality Rating
Bridgeton	97	8
Brunswick	68	12
Orono	80	11
Portland	59	17
York	54	19

Bridgeton has the highest A/S ratio and the graph lines for the assessed and adjusted state value are very close together. It also has a low quality rating and the variation of the sale price above and below the adjusted assessed value is more confined than in the other 5 municipalities. With a few exceptions at both extremes, the property tax mill rates, computed on the sale value, range from 6 to 12 mills. At the other end, among the five towns, is York with an A/S ratio of 54 and a quality rating of 19. As indicated by the top graph in that town's set, there is a wider divergence of the assessed and adjusted assessed value lines and there is a wide scatter of actual sale values above and below the adjusted value line. In the lower graph, the recalculated mill rates range from 4 mills to 15 mills. This town also reveals interesting differences between types of property. Seasonal property appears to be generally under valued, probably reflecting a slower turn over. The rural areas represent new construction and tend to be over valued relative to the adjusted assessed value.

The general conclusion the commission drew from examining the five towns is that even when a town maintains a quality rating of under 20, there can be a wide disparity in how well the adjusted assessed value of property relates the actual full market (sale) value. For taxpayers to be treated equitably within a town requires that every property owner is assessed on the full market value (or a uniform percent of the full market value) of their property. If some property owners are assessed at closer to full market value than others, then one property owner is given a tax break at the expense of another.

Another aspect of this problem is that categories of property may be unequally assessed. As indicated in some of the town examples above, rural, seasonal, and older town center properties might reveal general patterns of unequal assessments. When a town undergoes a revaluation to bring the assessed values of all property to full value, or an equal percent of full value, owners of those properties which were undervalued relative to the adjusted local valuation will have their taxes increased while those who were relatively over valued will have their taxes decreased. Commission members described the obvious consequence after a revaluation. The individuals whose taxes increased were very sceptical of the revaluation process and dissatisfied with their higher, and on occasion dramatically higher, tax assessment.

This unequal local assessment of property can also exist between residential and commercial properties. However, unequal assessment standards violate the constitutional requirement that "all taxes upon real and personal estate . . . shall be apportioned and assessed equally according to the just value thereof" (Maine Constitution, Art. 9, §8). A revaluation of property will bring all property up to the same standard. If residential property had been generally under valued, a revaluation will result in a relatively greater increase in the municipal assessment of residential as compared to commercial property. If the relative increase or tax shift effects a large enough percent of the residential property owners, it can create relatively wide spread tax revolt. The representative from the Bureau of Taxation on the commission explained that the tax cap initiative faced by South Portland had some of its origin in the previous tendency in that municipality to keep the assessment of commercial properties more up to date than residential properties. These and similar conflicts within a community could be avoided if the ratios between the assessed and sale value of properties in various sectors are kept in balance and the quality ratings are kept as low as possible.

RECOMMENDATION: The Legislature should create a commission to examine the assessment practices of local communities with the intention of making local assessment practices more uniform across the state and within every municipality.

RECOMMENDATION: The Bureau of Taxation should update the State of Maine Assessment Manual.

GRAPH 1
SELLING PRICE VS ASSESSED VALUE
BRIDGTON
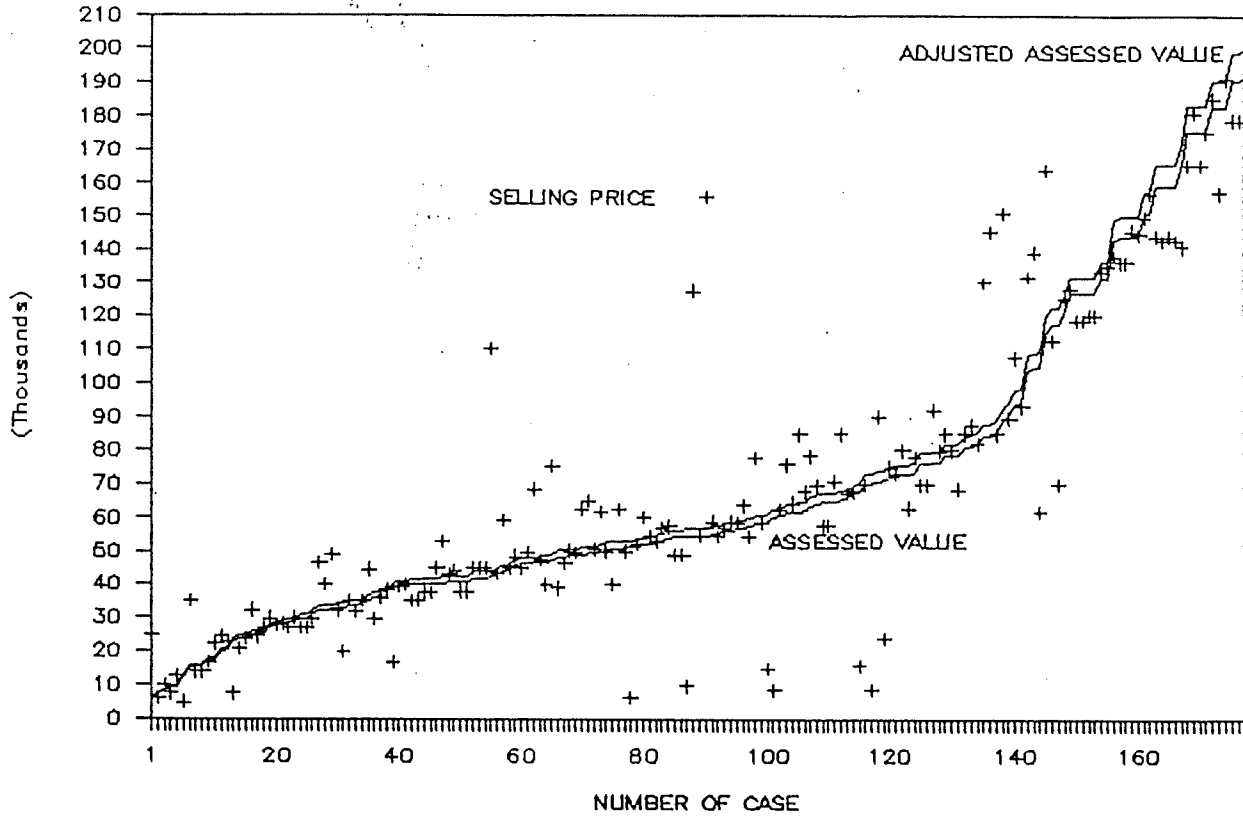
MILL RATE TAX LEVY ON SALE VALUE
BRIDGTON
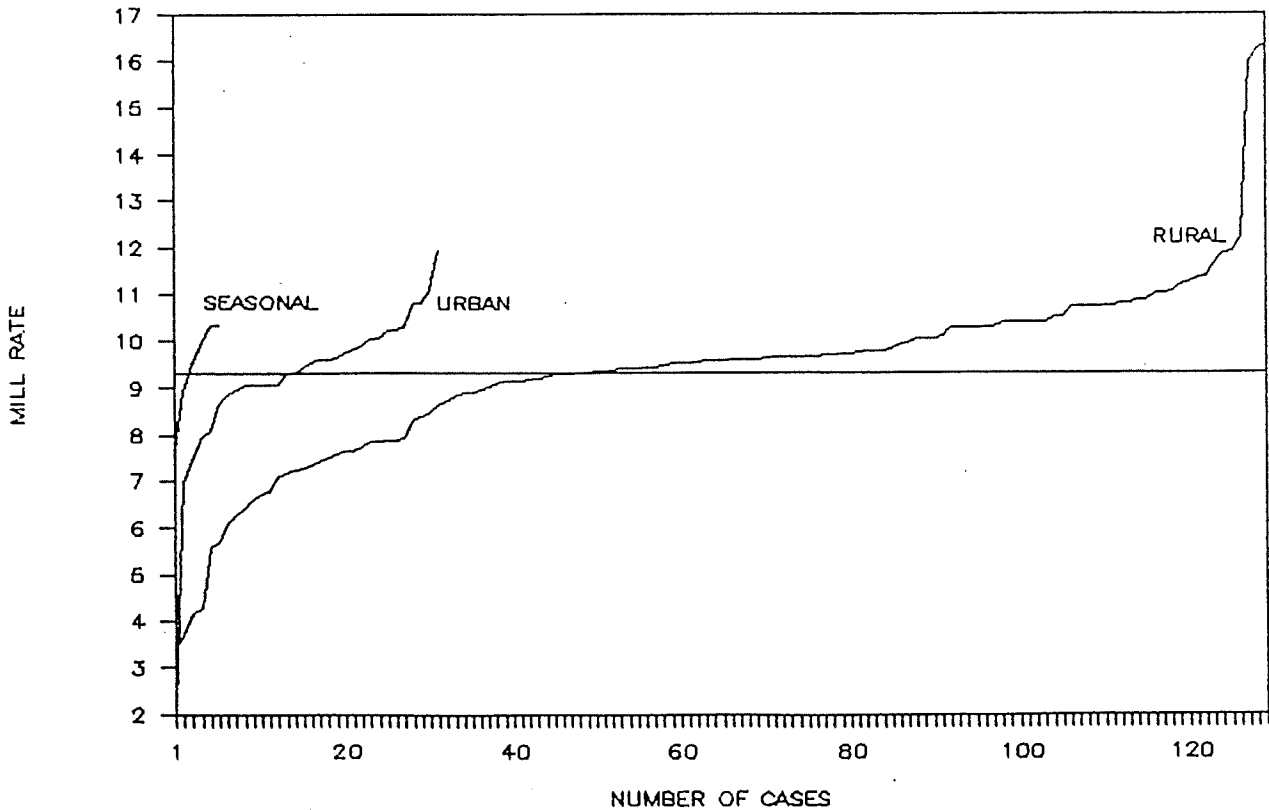
GRAPH 2

SELLING PRICE VS ASSESSED VALUE

BRUNSWICK

ADJUSTED ASSESSED VALUE

SELLING PRICE +

ASSESSED VALUE

(Thousands)
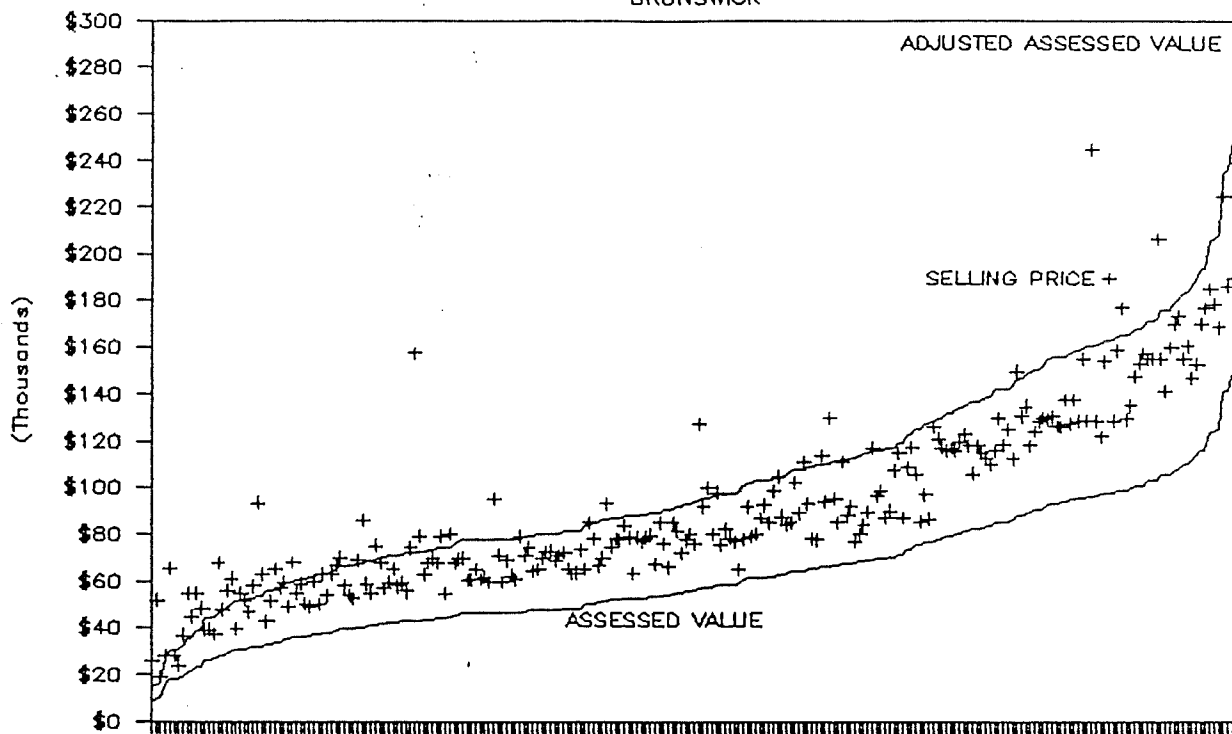
MILL RATE TAX LEVY ON SALE VALUE

BRUNSWICK

URBAN

RURAL

9.30 MILLS

MILL RATE

NUMBER OF CASES
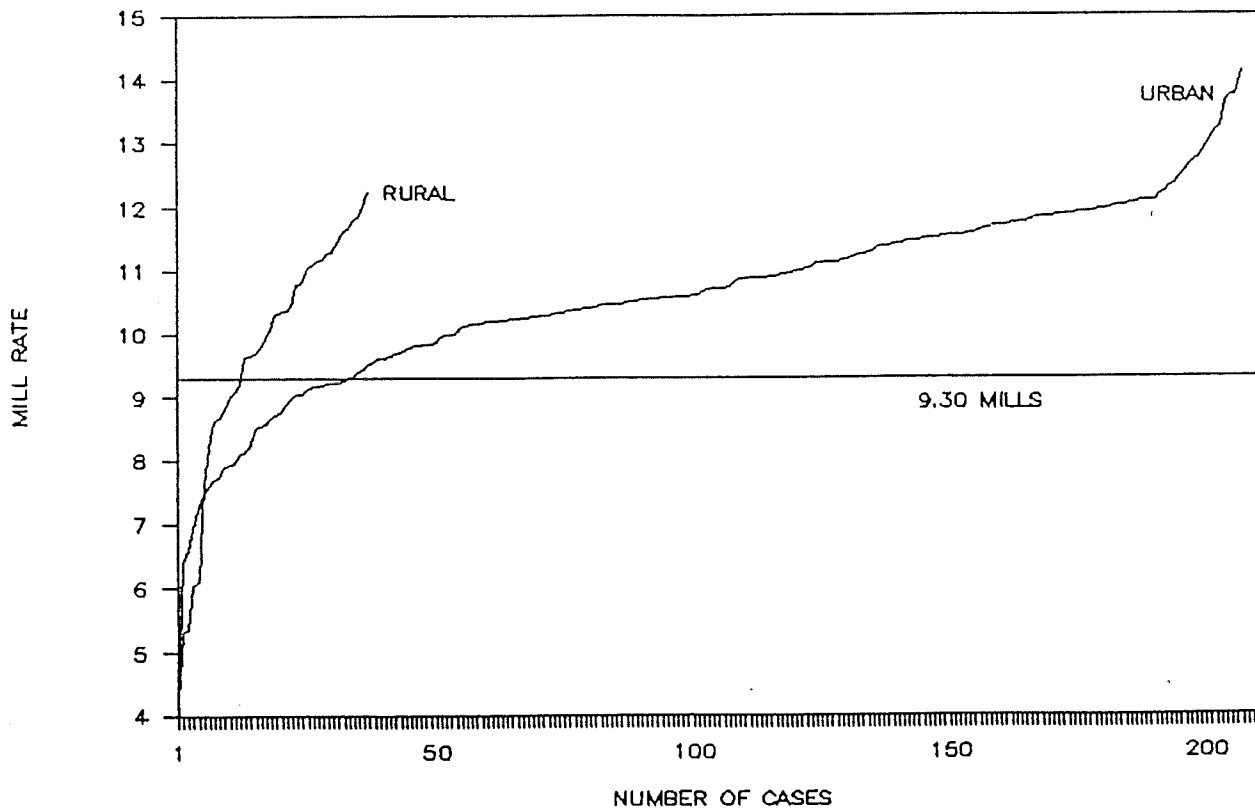
GRAPH 3

SELLING PRICE VS ASSESSED VALUE

ORONO
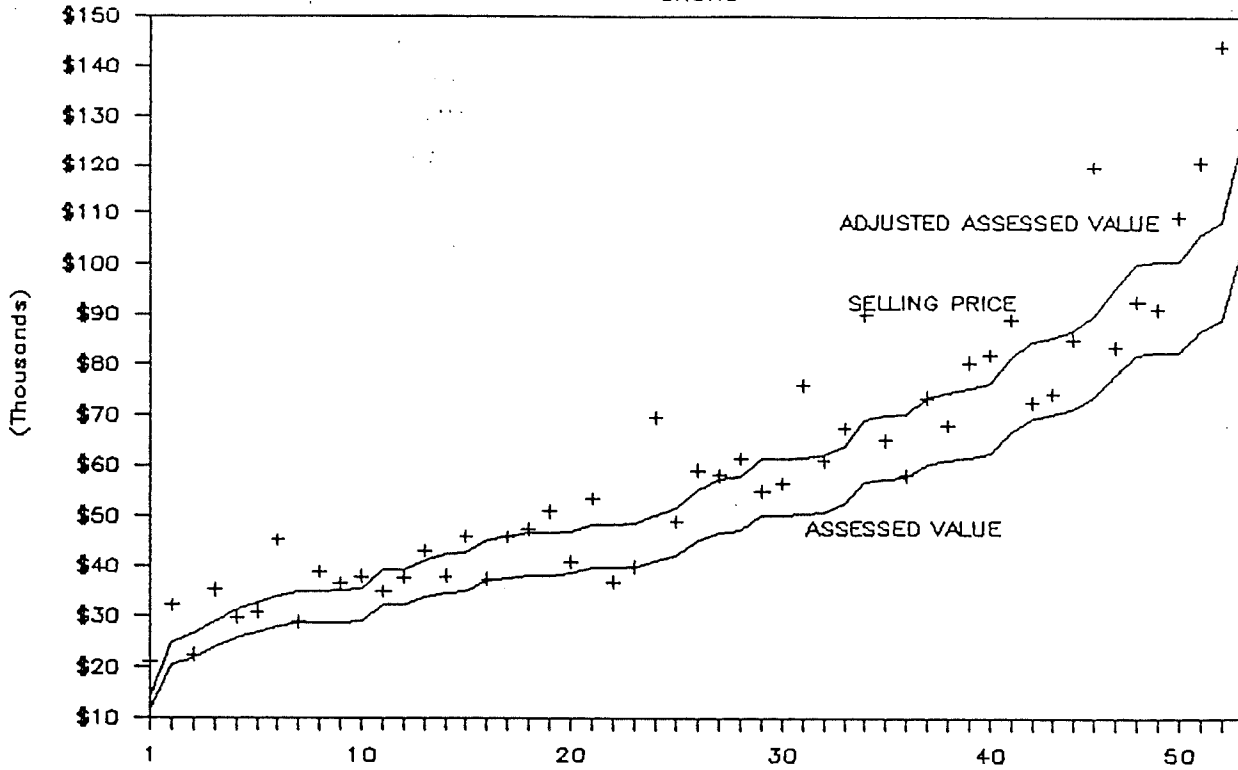
MILL RATE TAX LEVY ON SALE VALUE

ORONO

NUMBER OF CASES
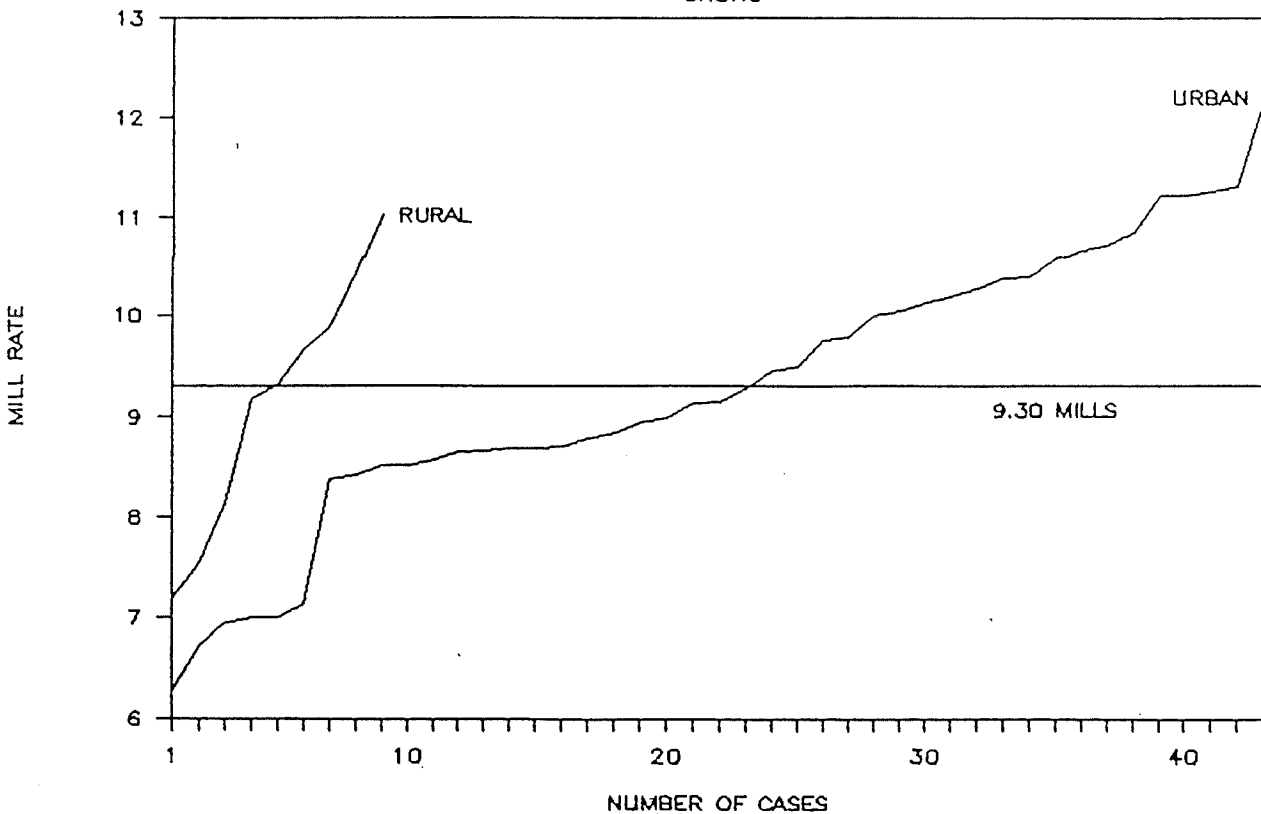
GRAPH 4

SELLING PRICE VS ASSESSED VALUE

PORTLAND

ADJUSTED ASSESSED VALUE

SELLING PRICE
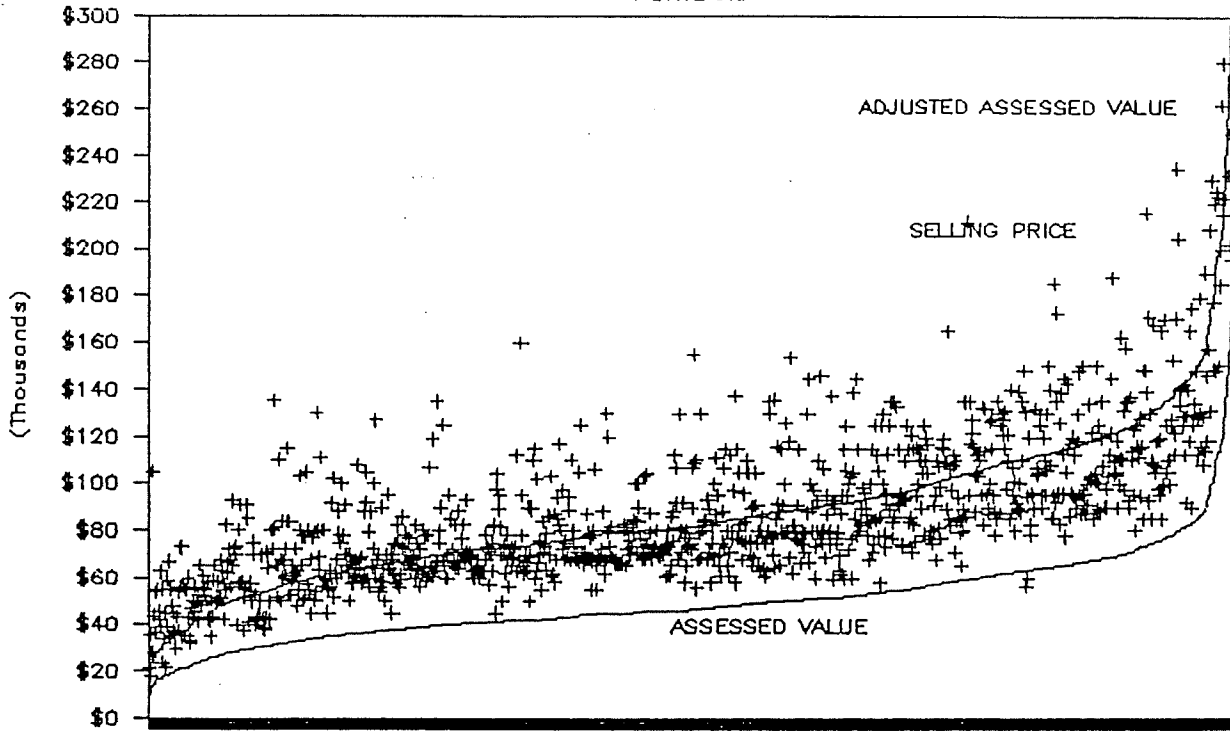
ASSESSED VALUE

MILL RATE TAX LEVY ON SALE VALUE

PORTLAND

URBAN

9.3 MILLS

NUMBER OF CASES

-21-
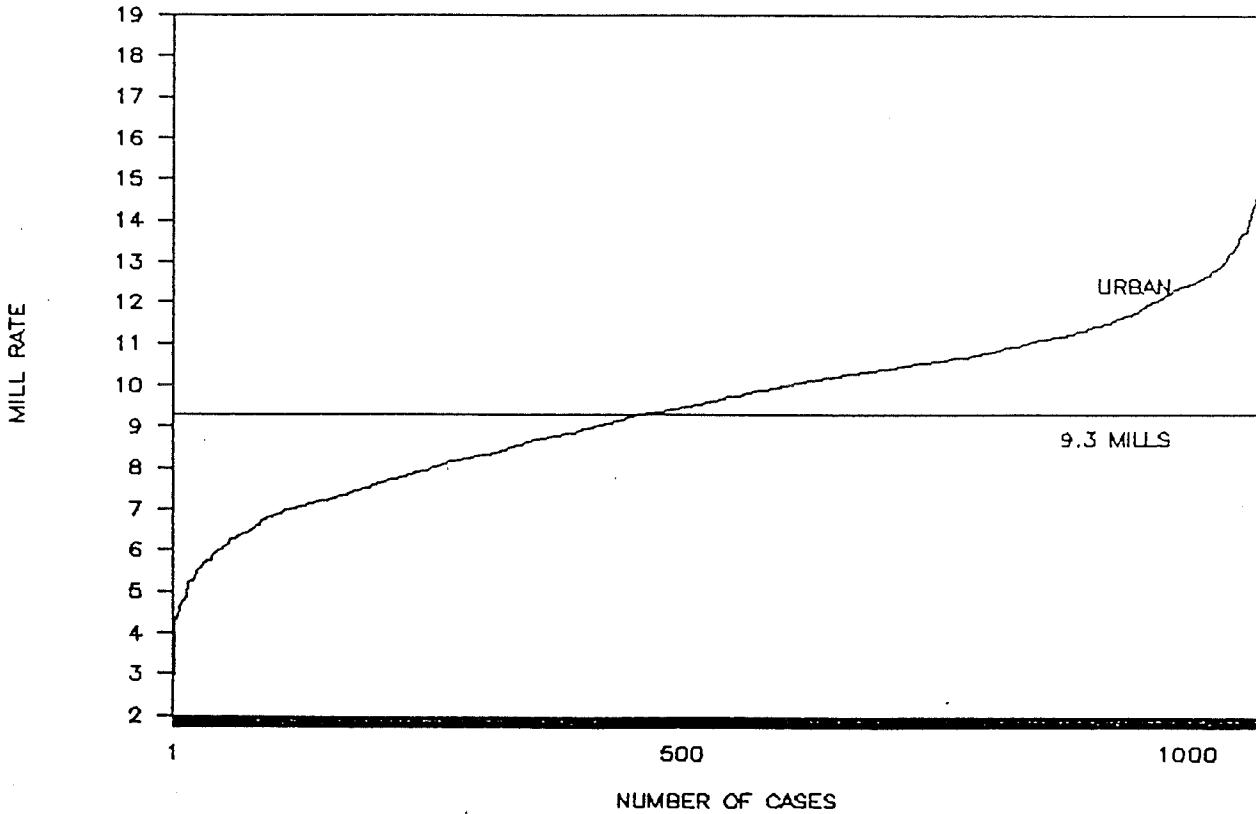
GRAPH 5

SELLING PRICE VS ASSESSED VALUE

YORK

MILL RATE TAX LEVY ON SALE VALUE

YORK

CUMMULATIVE NUMBER OF CASES
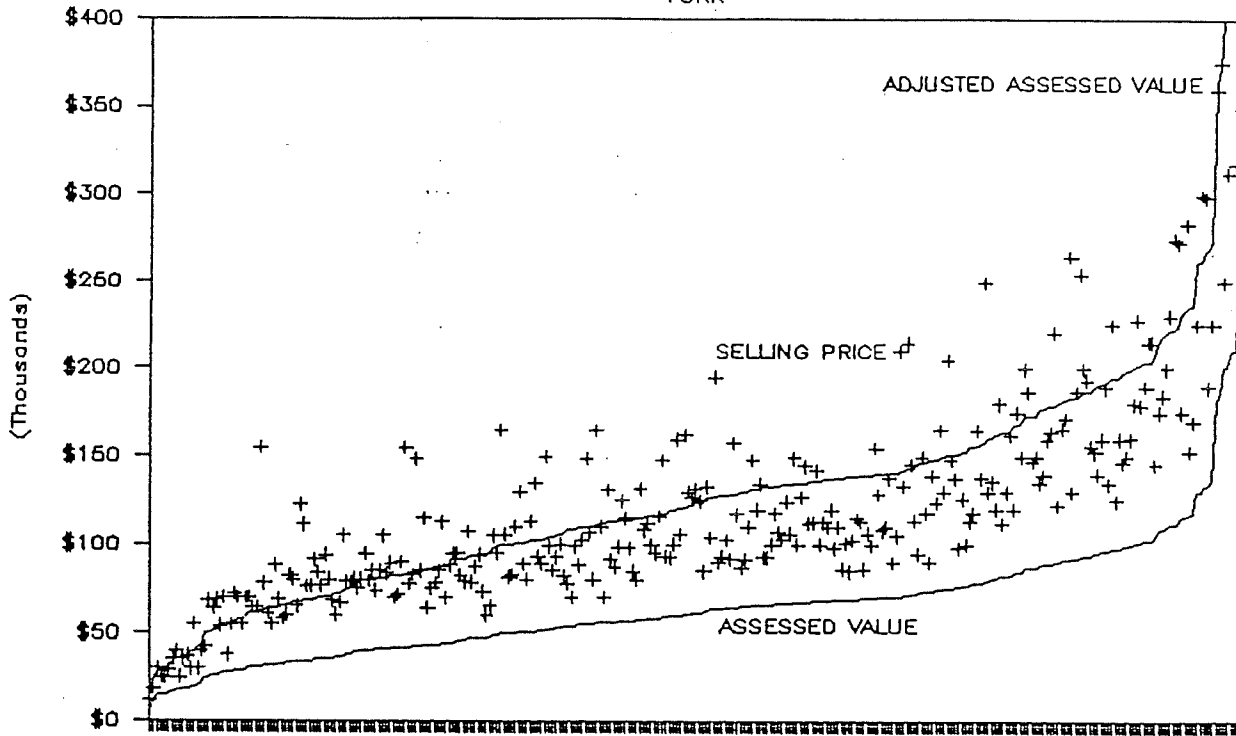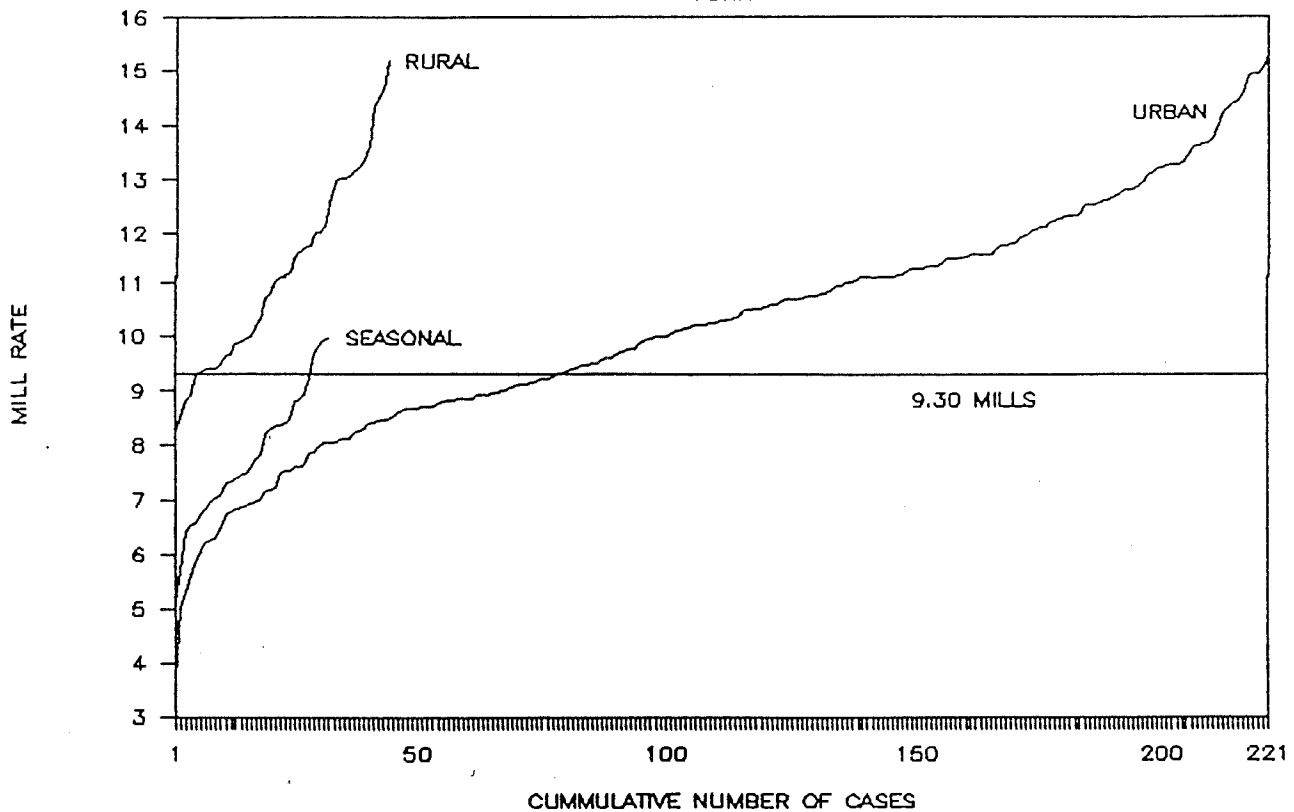
V. CHANGES IN STATE VALUATION OVER TIME

The reason for computing the state valuation for communities every year is that an individual municipality's share of the total property valuation in the state may change dramatically from one year to the next. A new industrial plant or commercial outlet will dramatically increase the tax base of a town. Similarly, relatively rapid residential development increases a town's tax base at a faster rate than other communities. A third major source of variation among communities is inflation. In terms of the state aid formulas which are based on property valuation, it is not the absolute increase which is important but whether the increase is faster or slower than the state average. Towns with increases above the state average will lose state aid through aid formulas and those with slower than average increases (or losses) will gain in state aid. For the individual taxpayer, unless growth causes voters to increase the amount and types of municipal services provided, the loss of state aid from commercial or industrial growth should be counter balanced by the increase in the tax base. Relatively high inflation on existing properties in a town, on the other hand, will require a real increase in the property tax assessed to make up the loss of state aid.

In order to get a better idea of what these changes mean over time, the commission examined the change in property valuations in towns over three time periods: the state valuations for 1977-1982, 1982-1986, 1986 to 1988. The first two are five year time periods the latter is a two year time period. Chart 1 takes the 50 towns with the fastest growth from one time period to the next and Chart 2 lists the 50 towns with the slowest growth. In measuring the rate of growth between each time period, the valuation at the end of the period was standardized to eliminate the effect of the general growth and general inflation in the state. This was done by dividing the state valuation of each town for the end of the period by the average percentage increase for the state during that time period. Thus, a town with the same growth as the state average would be computed as having a zero relative growth rate.

Sustained Growth

The first conclusion the commission drew from the chart was that there is no overlap between the 50 towns with the highest increase in state valuation from the first five year period to the second five year period. There is some overlap between the second five year period and the final two years, specifically Carrabasset Valley, Portland, Freeport and York County. Of the fifteen towns that were in the top group in York County in 1982-86, twelve were also in the highest group in 1986-88. Carrabassett Valley is a growth recreational area. Freeport and Portland are experiencing general commercial development. York county is responding to the general pressure from the south.

CHART 1

TOWNS WITH THE LARGEST
INCREASE
IN STATE VALUATION

	1977 TO 1982		1982 TO 1986		1986 TO 1988
1	NASHVILLE PLT.	1	NEW LIMERICK	1	STACEYVILLE
2	SKOWHEGAN	2	MADISON	2	CHESTER
3	WINTERVILLE PLT.	3	ANDOVER	3	NEWRY
4	SAINT FRANCIS	4	NORTH BERWICK	4	JONESBORO
5	AMHERST	5	CARRABASSET VALLEY	5	COOPER
6	WELLINGTON	6	WELLS	6	STEUBEN
7	GARFIELD PLT.	7	WALES	7	CARRABASSET VALLEY
8	PLYMOUTH	8	RUMFORD	8	RANGELEY PLT.
9	WESLEY	9	EASTON	9	TRENTON
10	PRENTISS PLT.	10	ROXBURY	10	YORK
11	SPRINGFIELD	11	OGUNQUIT	11	ARROWSIC
12	GREENBUSH	12	KENNEBUNKPORT	12	ENFIELD
13	CARROLL PLT.	13	FREEPORT	13	LIVERMORE
14	WHITNEYVILLE	14	ARROWSIC	14	OGUNQUIT
15	WALLAGRASS PLT.	15	GREAT POND PLT.	15	FREEPORT
16	MAXFIELD	16	SOUTH BRISTOL	16	SABATTUS
17	ETNA	17	KENNEBUNK	17	KITTERY
18	DENNYSVILLE	18	MEDDYBEMPS	18	BALDWIN
19	NEW CANADA PLT.	19	LAKEVILLE	19	BERWICK
20	WINN	20	WESTBROOK	20	CAMDEN
21	BURLINGTON	21	BERWICK	21	CUMBERLAND
22	FREEDOM	22	SOUTH BERWICK	22	PORTLAND
23	LUDLOW	23	PORTLAND	23	FALMOUTH
24	AURORA	24	PLEASANT RIDGE PLT.	24	SOUTH BERWICK
25	COLUMBIA	25	SULLIVAN	25	BIDDEFORD
26	HEBRON	26	BUXTON	26	GRAY
27	CHARLOTTE	27	TREMONT	27	OLD ORCHARD BEACH
28	SEBOEIS PLT.	28	OSBORN PLT.	28	KENNEBUNK
29	NUMBER 21 PLT.	29	YORK	29	SOUTHPORT
30	WEBSTER PLT.	30	SOUTH PORTLAND	30	WELLS
31	STARKS	31	CRANBERRY ISLES	31	HARPSWELL
32	CHAPMAN	32	ACTON	32	PHIPPSBURG
33	LEVANT	33	GUILFORD	33	CAPE ELIZABETH
34	SAINT AGATHA	34	NORTH YARMOUTH	34	SACO
35	WAITE	35	LYMAN	35	KENNEBUNKPORT
36	COOPER	36	BATH	36	LYMAN
37	CORNVILLE	37	FALMOUTH	37	NAPLES
38	JACKSON	38	ELIOT	38	BRIDGTON
39	MARCHFIELD	39	MOSCOW	39	SEBAGO
40	CARY PLT.	40	OLD ORCHARD BCH.	40	GORHAM
41	JAY	41	SANFORD	41	SCARBOROUGH
42	COLUMBIA FALLS	42	NEWRY	42	ISLESBORO
43	ALTON	43	DURHAM	43	MONHEGAN PLT.
44	DANFORTH	44	BRUNSWICK	44	LEBANON
45	TALMADGE	45	BROWNFIELD	45	NORTH YARMOUTH
46	HARMONY	46	GEORGETOWN	46	ARUNDEL
47	OXBOW PLT.	47	KITTERY	47	HARRISON
48	EDINBURG	48	TOPSFIELD	48	ELIOT
49	LOWELL	49	BRISTOL	49	BAR HARBOR
50	ALFRED	50	MOUNT DESERT	50	CASCO

CHART 2

TOWNS WITH THE LARGEST
DECREASE
IN STATE VALUATION

	1977 TO 1982		1982 TO 1986		1986 TO 1988
1	PLEASANT RIDGE PLT.	1	MASARDIS	1	WALES
2	MOSCOW	2	CALAIS	2	GLENWOOD PLT.
3	ANDOVER	3	NASHVILLE PLT.	3	HAMMOND PLT.
4	WISCASSET	4	STEUBEN	4	PASSADUMKEAG
5	ISLE AU HAUT	5	WASHBURN	5	WEBSTER PLT.
6	VEAZIE	6	BLAINE	6	NEW LIMERICK
7	SANDY RIVER PLT.	7	EASTPORT	7	HAYNESVILLE
8	WELLS	8	PRINCETON	8	WESTMANLAND
9	FRENCHBORO	9	FORT KENT	9	JAY
10	EMBDEN	10	CARIBOU	10	MACWAHOC PLT.
11	WASHBURN	11	VAN BUREN	11	MADISON
12	ROCKLAND	12	MATINICUS ISLE PLT.	12	ANDOVER
13	LOVELL	13	LUBEC	13	SKOWHEGAN
14	BOOTHBAY HARBOR	14	MARS HILL	14	MADAWASKA
15	SEBAGO	15	BEALS	15	DYER BROOK
16	BIMGHAM	16	ORONO	16	SAINT JOHN PLT.
17	POWNAL	17	THOMASTON	17	REED PLT.
18	DAYTON	18	HOULTON	18	NASHVILLE PLT.
19	NAPLES	19	MOUNT CHASE PLT.	19	CYR PLT.
20	WINTER HARBOR	20	HARTLAND	20	VAN BUREN
21	CASCO	21	FRANKFORT	21	MILLINOCKET
22	SOUTHPORT	22	BRIDGEWATER	22	BAILEYVILLE
23	NEWCASTLE	23	ORRINGTON	23	MATTAWAMKEAG
24	ELLSWORTH	24	PRENTISS PLT.	24	MORO PLT.
25	EAST MILLINOCKET	25	DANFORTH	25	OXBOW PLT.
26	MARS HILL	26	JONESPORT	26	PEMBROKE
27	MOUNT DESERT	27	MACHIASPORT	27	E PLT.
28	DAMARISCOTTA	28	WOODVILLE	28	EASTON
29	BREMEN	29	DEDHAM	29	WISCASSET
30	RUMFORD	30	SABATTUS	30	DENNISTOWN PLT.
31	RAYMOND	31	OTIS	31	DREW PLT.
32	GREENVILLE	32	FORT FAIRFIELD	32	HERSEY
33	LEEDS	33	STACEYVILLE	33	ORIENT
34	MATTAWAMKEAG	34	MARCHFIELD	34	MILO
35	PORTLAND	35	GILEAD	35	SEBOEIS PLT.
36	CAMDEN	36	PERHAM	36	BRADLEY
37	LIBERTY	37	MONTICELLO	37	WOODVILLE
38	NORTH HAVEN	38	BARING PLT.	38	TALMADGE
39	OLD ORCHARD BEACH	39	GRAND ISLE	39	WINN
40	BEALS	40	WINTERVILLE PLT.	40	EDINBURG
41	NORWAY	41	PERRY	41	OLD TOWN
42	MADAWASKA	42	PORTAGE LAKE	42	LAKEVILLE
43	MECHANIC FALLS	43	CHAPMAN	43	MARS HILL
44	WINSLOW	44	HAMLIN PLT.	44	MACHIASPORT
45	BRIDGTON	45	PRESQUE ISLE	45	WASHBURN
46	STOCKTON SPRINGS	46	ADDISON	46	LIVERMORE FALLS
47	STONINGTON	47	WINTERPORT	47	VANCEBORO
48	LEWISTON	48	SEBEC	48	AMITY
49	BROOKSVILLE	49	COLUMBIA FALLS	49	CALAIS
		50	LINNEUS	50	EAST MILLINOCKET

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There were only three towns among the towns with the higher relative decrease in both five year periods. These were Washburn, Mars Hill and Beals. Washburn and Mars Hill were also among those with a large decrease in the last year. In addition, eight other towns were among those with a large decreases in both the second five year period and the last year. These were: Calais, Stueben, Van Buren, Machiasport, Woodville, Marchfield and Milo.

Short Term Growth

The most common pattern, however, is for towns in the high growth category in one time period not to be included in the list of large growth towns in the second. The same is true of the towns showing a large relative decrease in their State Valuations. In examining the towns with the largest changes in each time period, certain commonalities and some differences appear.

Time Period from 1977 to 1982

In the first time period, there appear to be four main factors explaining the large relative increase of decrease in State Valuation. The towns with large increases basically either had new or expanded industrial plants or they experienced a rapid increase in the value of their tree growth property. Nashville Plantation had Great Northern's Pinkham Mill. Skowhegan had an expansion at Scott Paper Company. Winterville Plantation, Amherst, Wellington and Garfield Plantation saw the value of their tree growth property increase. This pattern held for each of the 50 towns which experienced rapid increases in their State Valuation between 1977 and 1982.

The towns with large relative decreases in their State Valuation during the same time period experienced decreases from one of three factors. First, similar to one of the main causes for an expanding valuation, they experienced a rapid change in the value of their industrial property. Washburn, for example, experienced a closing of a potato processing plant. Second, during that time period the Bureau of Taxation changed its method of depreciating electrical generating facilities. This change had the effect of dramatically, if somewhat artificially, lowering the state valuation of these properties. The reductions in Pleasant Ridge Plantation, Wiscasset, Veazie, and Embden are caused by the drop in value of their power plants. (It should be noted that the change produced a dramatic decrease in the plants' State Valuations but not necessarily a change in the way property was assessed for local property tax assessment purposes.) The final of the three main causes for a drop in valuation was the stabilization in the sales and prices of seasonal properties due to the high mortgage rates during that period.

Time Periods from 1982 to 1987 and 1987-1989

In these latter two time periods, changes in the value of industrial property again played a major role in producing major increases or decreases. New or expanded plants in New Limerick, Madison, Andover, Rumford and Easton produced large increases in these towns. Plant closings in Masardis and Washburn obviously produce a decrease. However, even if there was no closing, the practice of depreciating existing industrial property leads to a decline in valuation. Residential property, on the other hand, is not depreciated but on the contrary tends to increase in value over time.

A new element causing changes in valuation was the effect of commercial and condominium development in places like Carrabasset Valley, Newry and Rangely Plantation. In addition, growth in residential property is apparent in towns like North Berwick, Wells, Kennebunkport, York, and Arrowsic. In these latter cases, the increase is a combination of new construction and more rapid than average increase in the value of existing property.

Another common explanation for decreases in valuation appears to have been the flattening out of the value of tree growth property in the 1982-1989 period. This stabilization of value is perhaps expected after the rapid growth in the preceding period. It effected towns like, Glenwood Plantation, Hammond Plantation, Passadumkeag, Webster Plantation and New Limerick to cite those with the largest change.

Shifts in Status

Towns not only moved in and out of the high growth and high decline groups but they also shifted from one extreme to the other over time. Portland, Old Orchard and Wells were among those with large relative decreases in the first five year period but were among those with the large increases in the second two periods. In addition, of the six towns in the general area of Sebago Lake which were among the large increasers in 1987-88 (Bridgton, Harrison, Baldwin, Sebago, Naples and Casco) all but Harrison and Baldwin were among the large decreasers in 1977-82.

Geographic Distribution

The geographic distribution of the towns experiencing relative increases or decreases is presented in Maps 1-6. These maps clearly show the shift in growth from towns scattered in central and norther Maine to a concentration of the growth in the southern counties. The distribution of towns with the largest relative decreases shifted from a scattering among the towns in the southern half of the state to a concentration in the northern half.
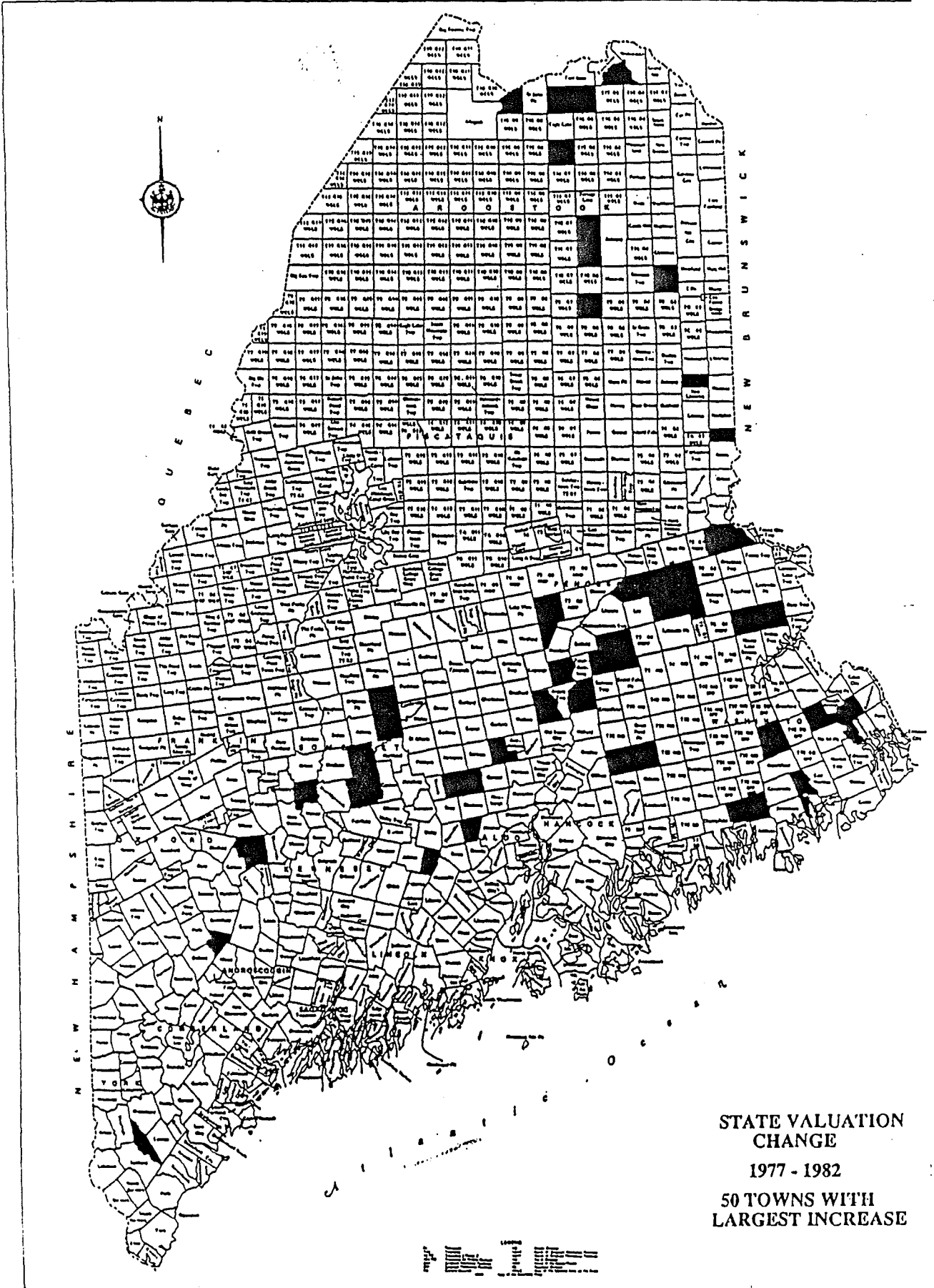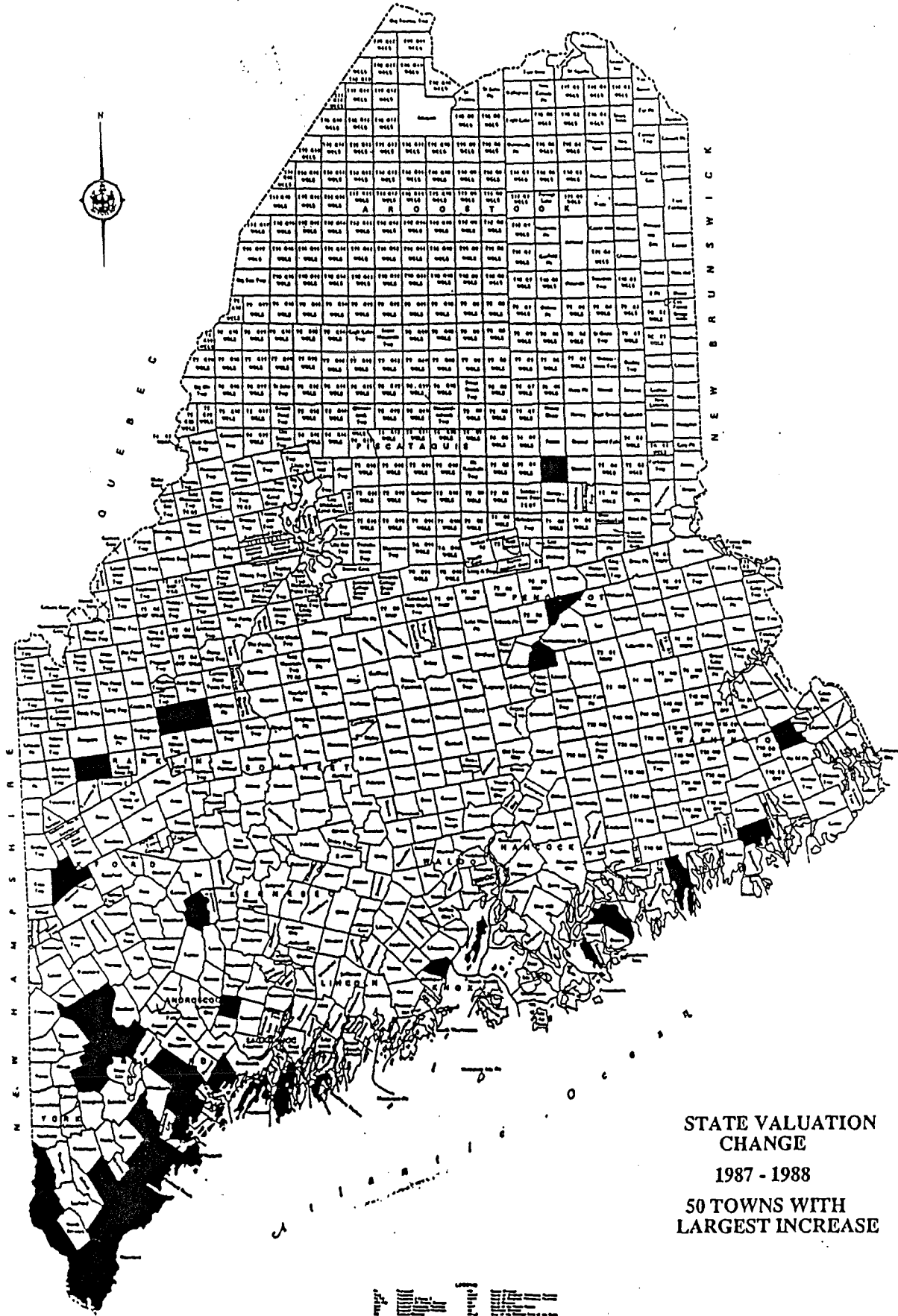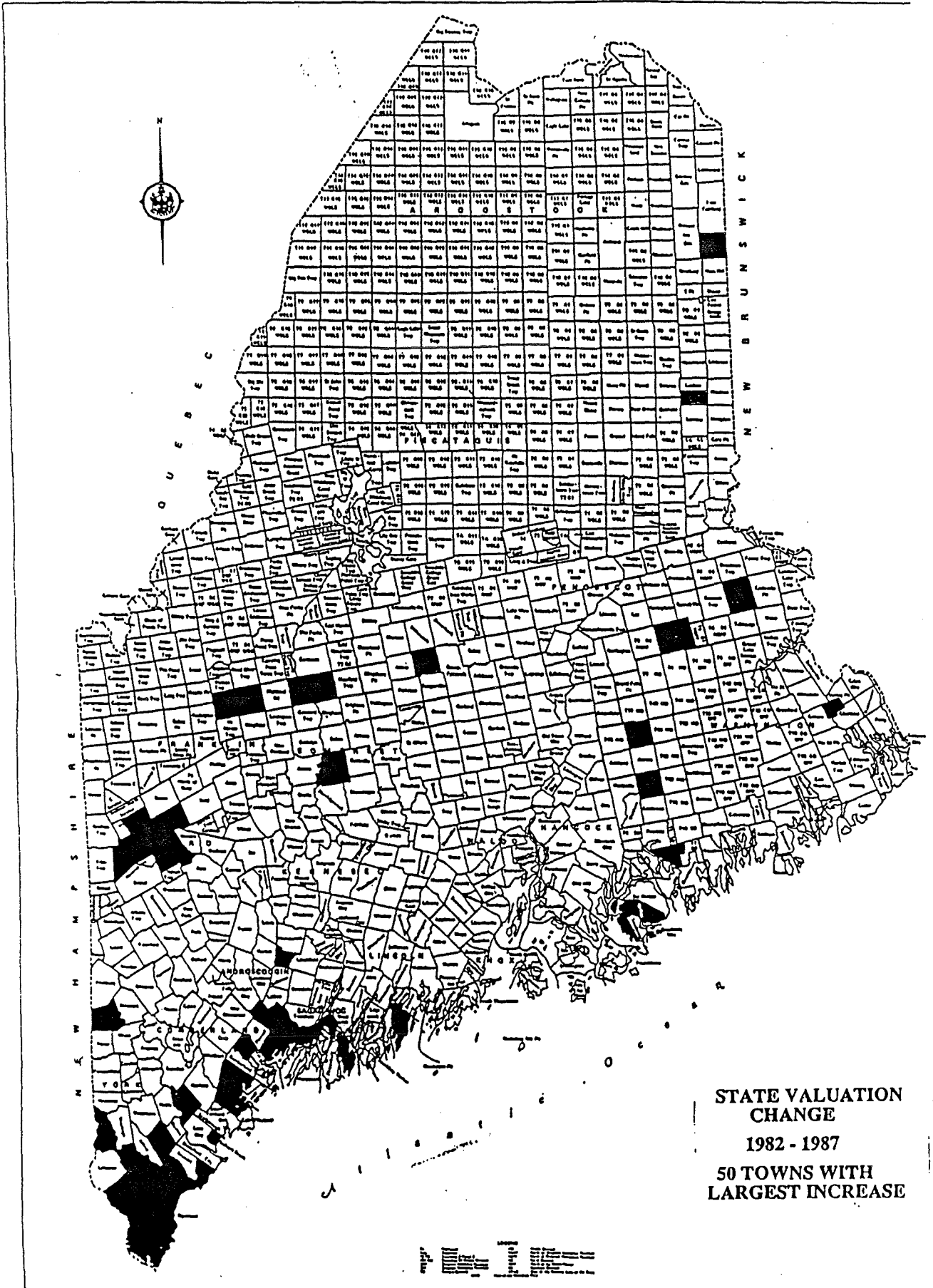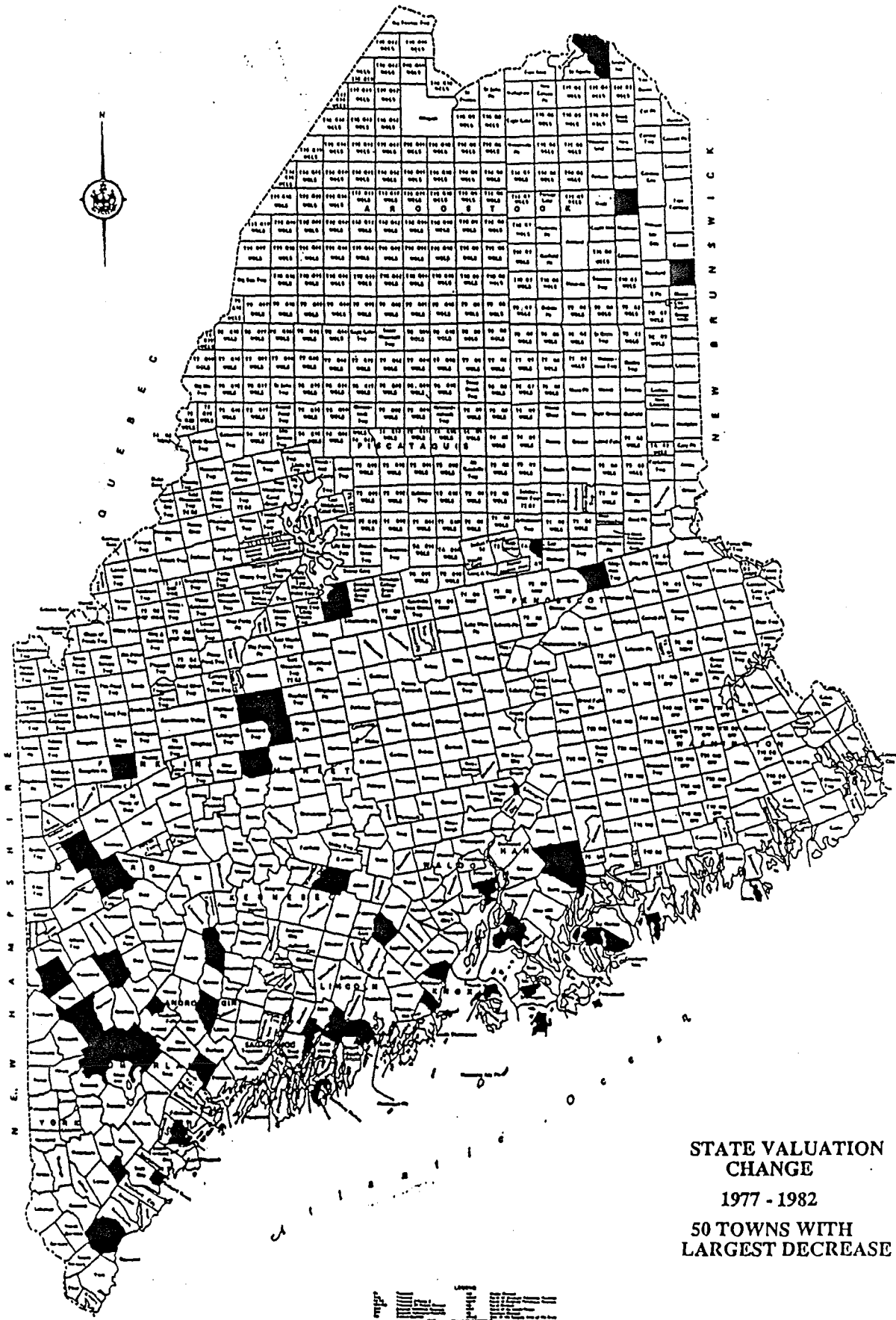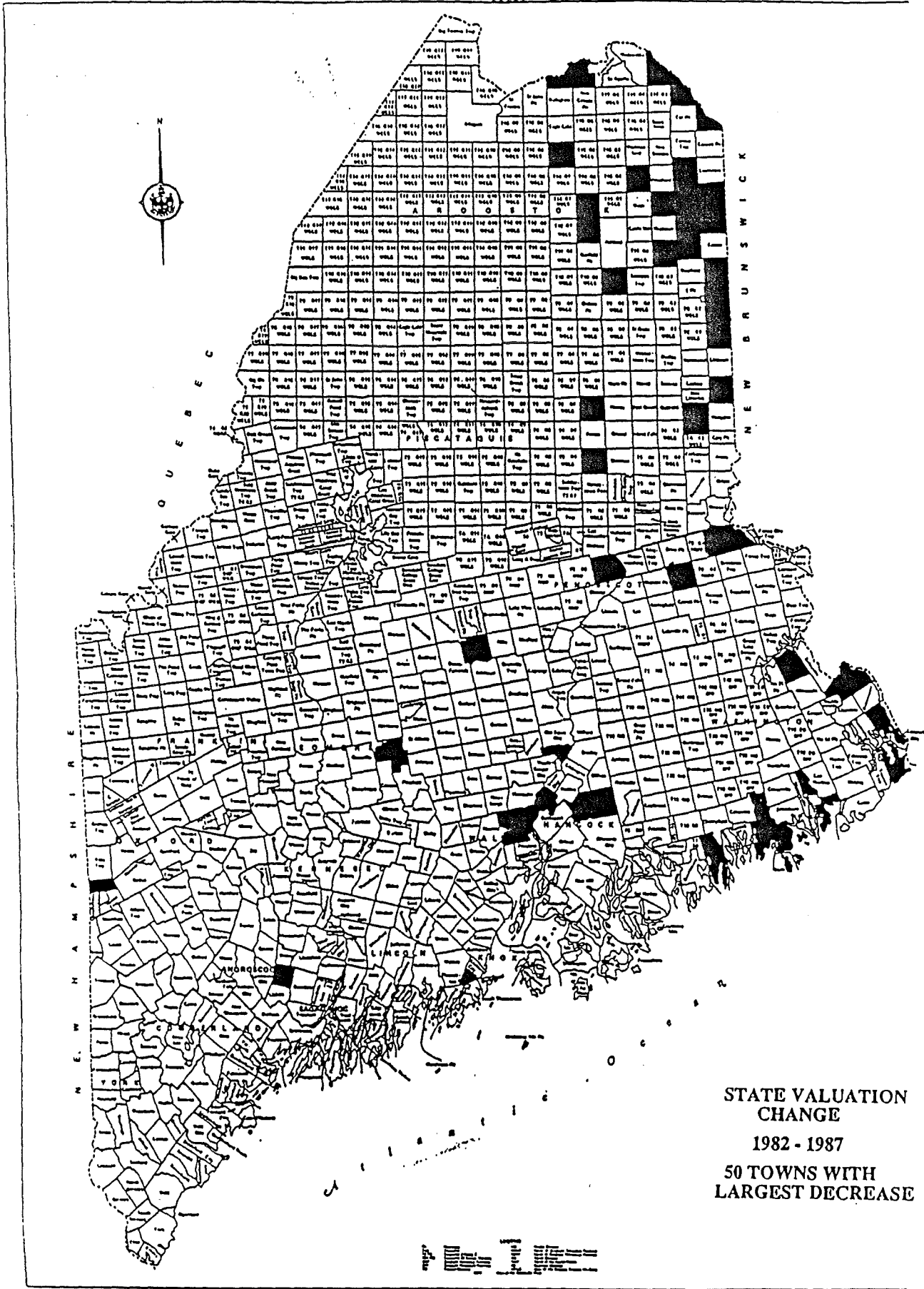
MAP 1

STATE VALUATION
CHANGE

1977 - 1982

50 TOWNS WITH
LARGEST INCREASE

MAP 2

STATE VALUATION
CHANGE

1987 - 1988

50 TOWNS WITH
LARGEST INCREASE

MAP 3

STATE VALUATION
CHANGE

1982 - 1987

50 TOWNS WITH
LARGEST INCREASE

MAP 4

STATE VALUATION
CHANGE

1977 - 1982

50 TOWNS WITH
LARGEST DECREASE

MAP 5

STATE VALUATION
CHANGE

1982 - 1987

50 TOWNS WITH
LARGEST DECREASE

MAP 6
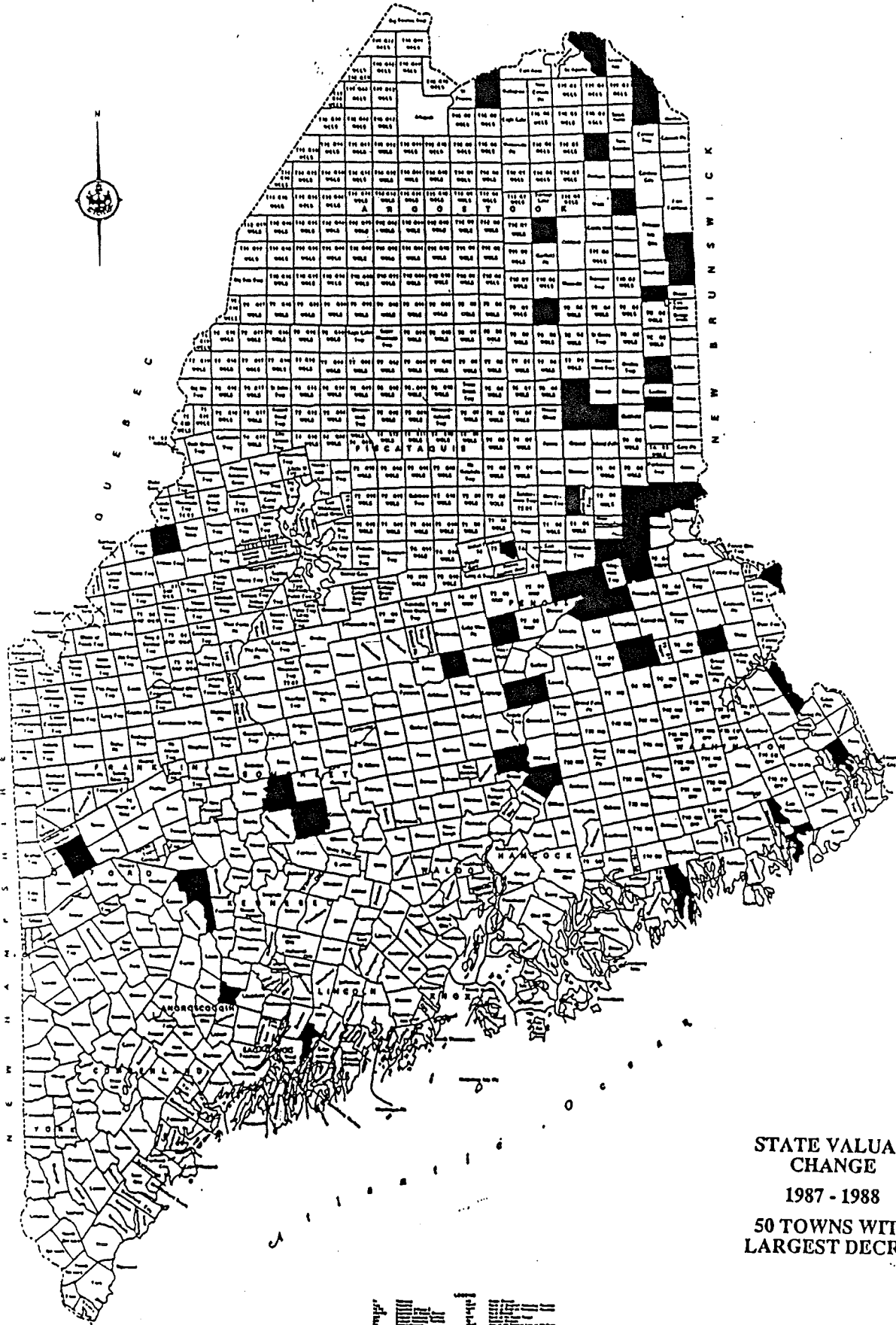
STATE VALUATION
CHANGE

1987 - 1988

50 TOWNS WITH
LARGEST DECREASE

Discussion

The commission discussed the problem of towns which lose state aid due to rapid increases in their State Valuation. Many of the members were sympathetic to the communities because of their need to adjust their local budgets to account for the decrease in aid. The commission recognized, however, that the increase in the local share is often spread over an increased tax base and does not necessarily cause an increase in the tax burden on individual taxpayers.

From the data examined, it was also apparent to the commission that there are considerable shifts in the positions of towns. In the 12 year period examined, there was no overlap among the rapidly increasing towns at the beginning and end of the period. There were a few towns which had a relative decline in their property values throughout the whole period. There were also a few that actually experienced a sizable decline in the beginning of the period and ended up as among those experiencing rapid growth at the end.

Proposals to use two or three year rolling averages to lessen the impact of increases in valuation and losses in state aid were discussed. The commission concluded that while this might help those municipalities experiencing rapid growth by slowing their loss of state aid, it would delay getting more aid to those towns which were experiencing a relative decline in valuation.

The commission also recognized that a complicating factor in the process of adjusting to increases in State Valuation and declines in state aid was the lag in getting property changes incorporated as part of a municipalities State Valuation. On the one hand, this acts as a windfall to the local unit because they can include the new property as part of their local taxable property one year before the state includes the property in the municipality's State Valuation. On the other hand, if the municipality uses the tax revenue from the new properties to start new programs (or reduce taxes), it creates problems for itself the following year. The following year, when the state includes the value in the calculation of the municipality's State Valuation and adjusts its state aid to the community, the community must make up the loss of state support. If it started new programs with the windfall revenues the municipality must find additional revenues to continue to fund them. This produces a situation which most taxpayers find confusing where their property taxes go up in spite of the fact that they have an expanded tax base. While the commission recognized the possible taxpayer dissatisfaction produced by this transition problem, they also concluded that it was more easily handled at the local level with proper management of the budget and revenues.

VI. MILL RATE FOR EDUCATION

Changes in the State Valuation of a school unit affect the amount of state aid that a unit will be eligible to receive. However, only when the value of a taxpayer's property inflates faster than the average inflation in the consumer price index does a changes in valuation affect the real (constant dollar) value of taxes paid by individual taxpayers. An analysis of changes in statewide property values and mill rates for education from FY 1974 to FY 1986, clearly showed that the total valuation of property in the state was relatively constant in the first half of this decade, increasing only 10% to 15% in real (inflation controlled) dollars.[*]

If the value of property, controlling for inflation, is constant, then the amount an individual taxpayer is assessed, varies with the mill rate for education. The Department of Educational and Cultural Services presented data to the Commission (see Appendix D) on the mills raised for education for the period 1981 to 1989. What struck the commission members about the information provided was not the few cases where the mill rates for a school unit fluctuated dramatically during the period but the general stability of the countywide averages and most individual units.

If the inflation in the value of property in an individual school unit is more rapid than the general inflation in consumer prices, then stable mill rates can mean an increase in taxes assessed. However, the formula as presently structured was intended to be sensitive to changes in the value of property. It was not intended to shield owners from the property tax consequences of changes in the real value of their property. Therefore, the general stability of mill rates over time are an indication that the formula has worked as it was intended to work.

The commission discussed the question of what should be done to help individuals who find the value of their property is appreciating. They felt that it was a particular problem for the taxpayer if the individual's income had not kept pace with the property inflation. To try to solve the problem by changing the formula would have consequences on the equity among school units. It would also necessitate giving aid to commercial and industrial property and to individual owners who may not need assistance.

Because the problem is more acutely felt by some individual than other, the commission favored more individualized solutions. For a further discussion, and suggested solutions for this problem, see the commission's discussion of homestead exemptions and property tax circuit breakers.

Lars H. Rydell and Kathryn Van Note, "Trends in Education Finance in Maine", March 1987, Office of Policy and Legal Analysis.

Another aspect of the property tax burden is the cost of non-educational expenditures. Not withstanding the general claim that educational expenditures are a major portion of most towns' budgets, the mill rates assessed to fund non-educational expenditures can be sizable. In the four of the five largest communities in the state (Auburn, Augusta, Portland and Lewiston), the 1988 mill rates for non-educational expenditures was 40% to 100% higher than the mill rate for education. In Bangor the mill rate for education and non-education expenditures were the same.

These, and other towns, may legitimately need additional state support to cover non-educational expenses. Many smaller communities, however, have much smaller expenditures for non-educational programs. While increased state aid for education would help these towns, it would not target the aid to the towns with the higher expenditures. Because of these issues, the commission raised the question as to whether the school funding formula is the most equitable and effective vehicle to provide support to communities which have large tax burdens for non-educational expenditures.

VII.   PER PUPIL EXPENDITURES

While the State will share in the per pupil general
operating costs up to the per pupil elementary and secondary
rates set in the funding formula, school units are free to
spend above those limits. Some of these additional costs are
necessitated by inflation to bring the estimate of one year old
costs used to compute the per pupil rates in the formula up to
current year expenditures. Some of the differences merely
reflect the added cost of similar programs due to differences
in salaries or cost of equipment. The remainder reflect real
differences in the variety or quality of general operating
programs from one district to another. Whatever the reason for
the differences, these additional expenditures are funded
totally by the local units.

To gain a better idea of what these differences in
expenditures meant for Maine students, the commission examined
the per pupil general operating expenditures for elementary and
secondary students for 1986-87. The following two sets of
graphs (Graphs 6 and 7), one for elementary expenditures and
the other for secondary per pupil expenditures. These
expenditures are plotted against the cumulative number of
students who are in schools which spent that amount or less per
pupil. (The data from which the graphs are constructed is
presented in Appendix B.) The graphs include only those
students in districts which operate elementary or secondary
schools and do not include tuition students. In each set of
graphs, the top graph represents the whole range of
expenditures. In each case there are a small number of
schools, representing relatively few students, which spend far
in excess of the per pupil rates set in the formula. Among
elementary schools, Pleasant Ridge with 8 pupils spent $10,104
per pupil and Islesboro with 21 secondary students spent $7236
per pupil. These extreme tails on the graph have the effect of
flattening out the middle portion of the graphs. In order to
focus on the main body of students, the second graph in each
set eliminates the exceptionally cases which spend several
times the per pupil operating rate.

On examining the graphs, the commission found that
thirty-two elementary schools, representing 15,222 of 141,196
students, spent below the elementary per pupil operating rate.
For secondary students, 20 secondary schools, representing
15,151 of 56,980 students, spent below the per pupil secondary
rate. What is interesting to note from the bottom graph in
both sets is that except for a few schools at each extreme,
students were relatively evenly distributed along a continuum
running from schools which spent $200 less than the per pupil
rates to schools which spent $1000 more than the per pupil
rates. The top amount is slightly higher for secondary
students than elementary pupils. On the average, schools spent
$300 more than the per pupil rates set in the formula on
elementary pupils and $400 more per pupil on secondary
students.

GRAPH 7

SECONDARY PER PUPIL EXPENDITURES

BY CUMULATIVE NUMBER OF PUPILS

PER PUPIL EXPENDITURES
(Thousands)

(Thousands)
CUMULATIVE NUMBER OF PUPILS

SECONDARY PER PUPIL EXPENDITURES

MIDDLE 90% OF PUPILS

PER PUPIL EXPENDITURES
(Thousands)
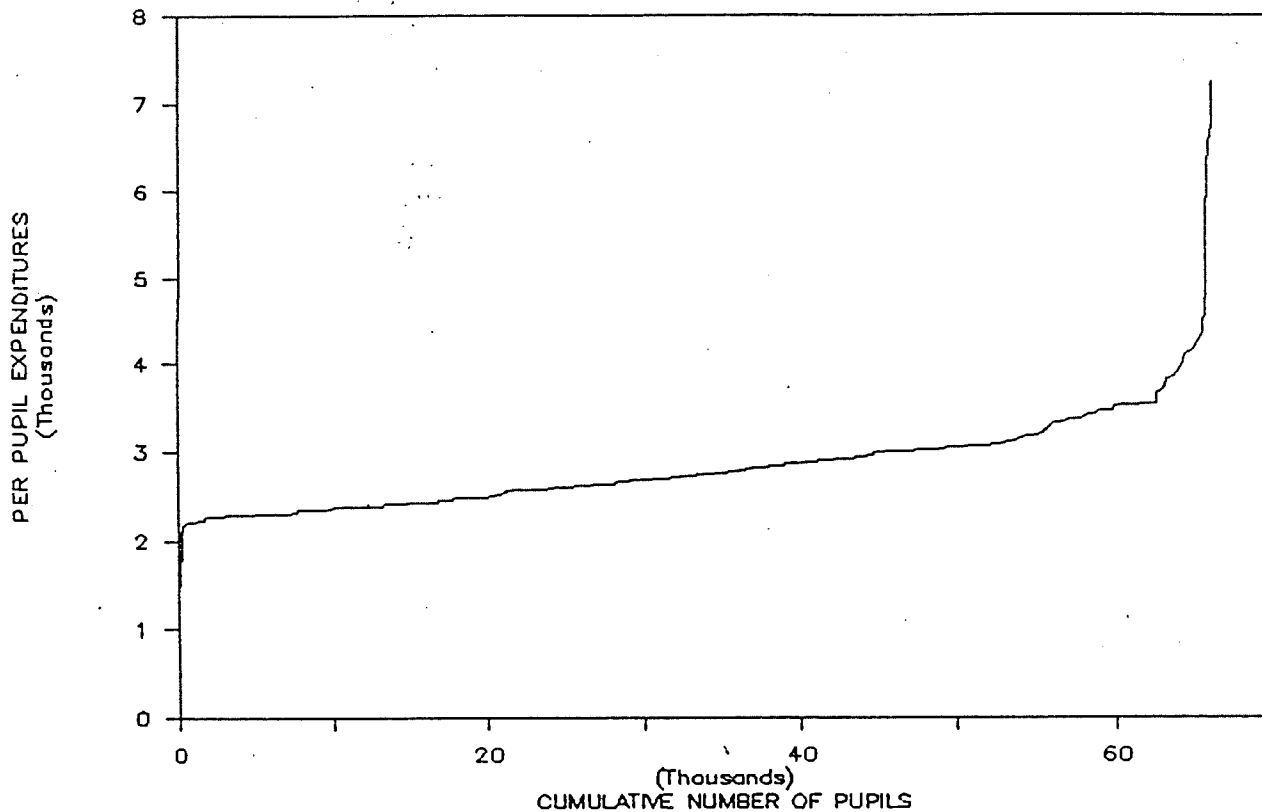
(Thousands)
CUMULATIVE NUMBER OF PUPILS
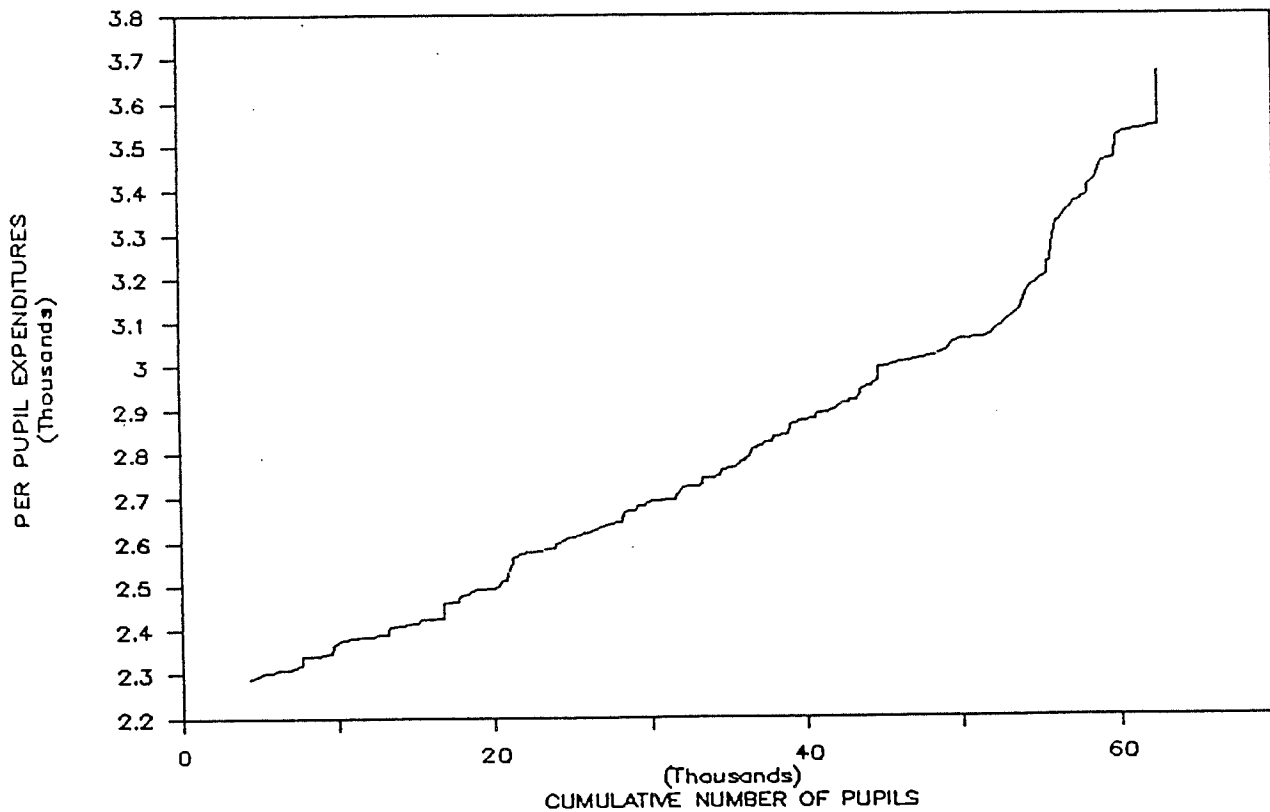
GRAPH 6

ELEMENTARY PER PUPIL EXPENDITURES
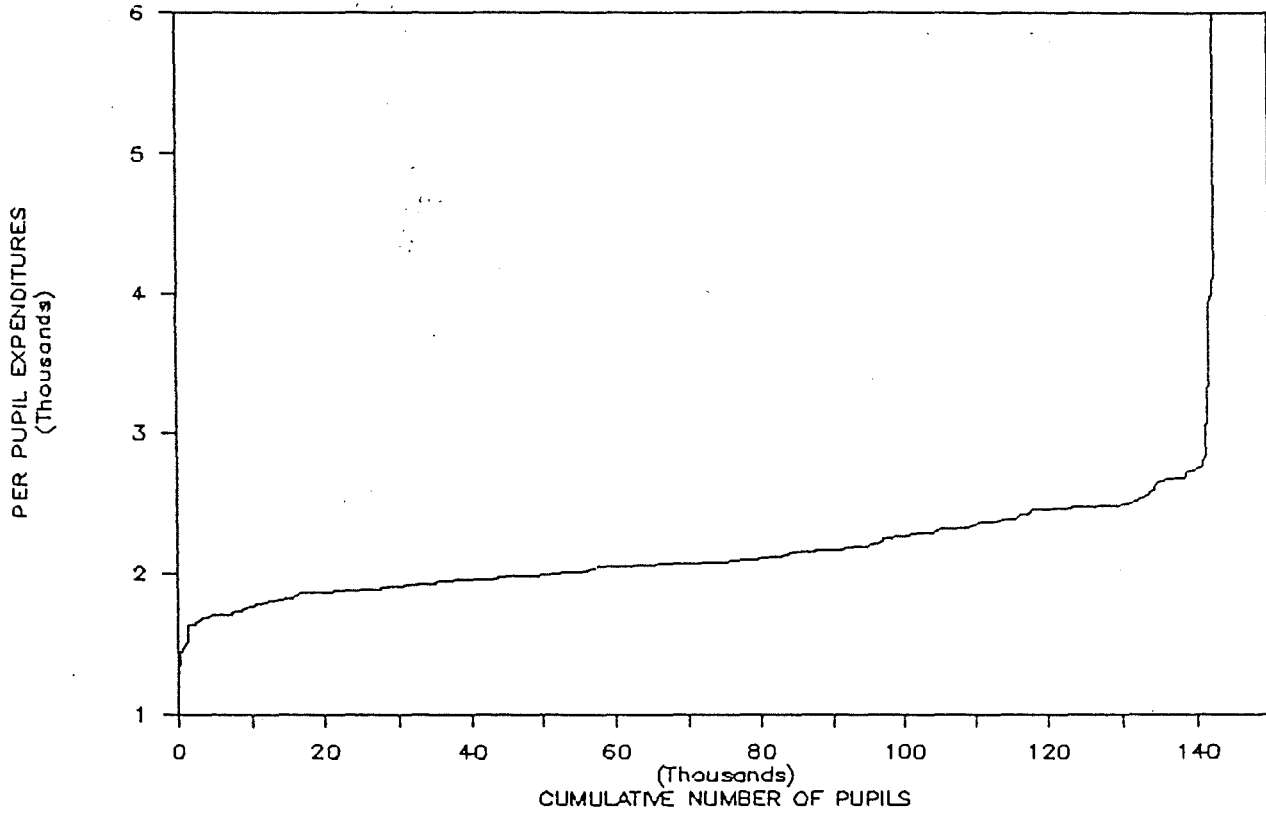
BY CUMULATIVE NUMBER OF PUPILS

ELEMENTARY PER PUPIL EXPENDITURES
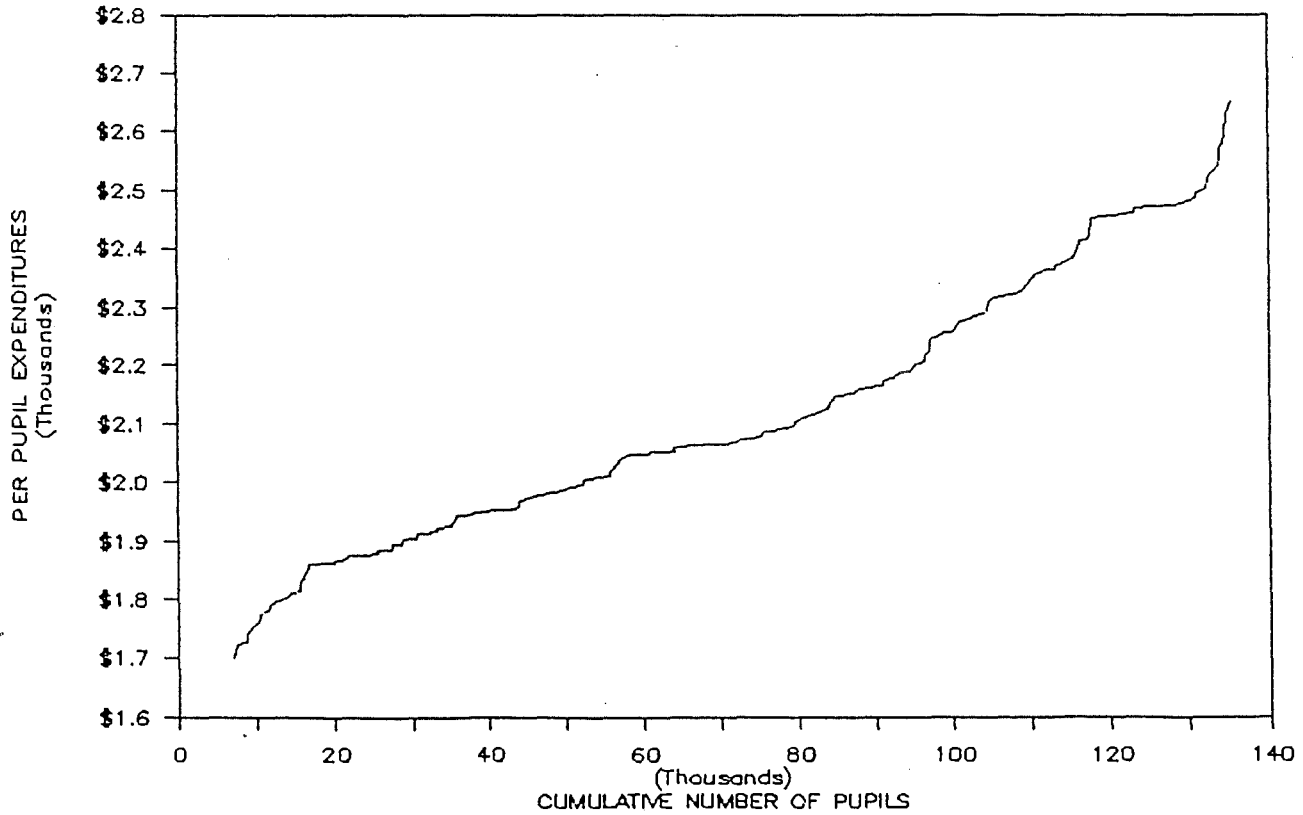
MIDDLE 90% OF PUPILS

While the state mandates a basic educational program, voters in each school unit can provide additional programs above the minimum. As indicated by the graphs, many school units do decide to spend more than the per pupil rates set in the funding formula. In their deliberations, the commission members felt some of the differences among school units represent real differences in educational philosophy. They also raised the possibility that there were systematic relationships between the wealth of the school unit (property valuation per pupil) and willingness to spend above the subsidy level. They also felt that there might be some economies of scale for larger units or additional expenditures for very small units. To examine these factors, the commission had a correlation analysis run on the relationship between the number of pupils in the unit and the valuation per pupil on the one side and per pupil expenditures on the other.

For elementary schools, most school units fell in a per pupil expenditure range of $1700 to $2700 per pupil. For school units with 75 pupils or more, the size of the school did not explain any of the differences in expenditures. In other words, for elementary schools there appears to be no economies of scale for schools above 75 pupils. For schools units with under 75 elementary students, variation in the number of pupils explained 34% of the variation in expenditures. Among these small units, the addition of property valuation per pupil only explained another 7% of the variation in expenditures.

For school units with 75 or more students, only the valuation per pupil was related to expenditures per pupil. Among school units with 75 to 149 pupils, valuation per pupil explained 22% of the variation and among schools with 150 pupils or more it explained 38% of the variation.

Among secondary school units most school units fell in a range of spending from $2300 to $3700 per student. In analyzing the expenditures, the commission found that among those units which had above $200,000 in valuation per student, valuation per student explained 68% of the variation in the expenditures among schools. Among schools with less than $200,000 in valuation per student there was an uneven pattern. In school units with 550 or more students, valuation per student explained 33% of the variation in per student expenditures, among school units with 330 to 549 students, it did not explain a meaningful amount of the variation. Among school units with 150 to 299, valuation per student explained 68% of the variation and for school units under 150 students, it explained 47% of the variation. Only in these smaller school units, under 150 secondary students, did the number of

students have any relationship to expenditures. Among these schools, the number of students explained 31% of the variation in expenditures. Valuation and number of students taken together explained 52% of the variation in expenditures for units with less that 150 students.

VIII. PROPOSALS FOR AMENDING THE STATE AID FORMULAS

A. *Power Equalization Formula.*

In his presentation to the commission, John Skehan (supplementary testimony in Appendix C) suggested Maine's distribution of aid could be improved if it moved toward a full power equalization formula. The following presents a comparison of Maine's present formula with a power equalization formula and examples of what impact it would have on subsidy levels.

The present formula guarantees each school unit an equal amount per pupil (the number of students times the elementary and secondary operating rates) if the unit raises the operating rate millage. The operating millage establishes the local share. When the local share is divided by the total amount guaranteed per pupil, it determines the local percent share of general operating costs.

For any given town, the number of mills raised for education is the sum of the mills needed to fund the local share of the subsidized (per pupil operating rates) portion plus the mills needed to fund expenditures above these per pupil operating rates. Table 1 shows the mill rates for 16 towns for the 1986-87 allocation (1984-85 base year expenditures). The subsidy index for that year was 7.20 mills. The amount subsidized per pupil was $2023 per pupil based on average base year expenditures of $1908.50 per pupil plus a 6% inflation factor.

As indicated in the Table, the dollars subsidized per pupil and the actual mill rates vary from school unit to school unit depending on the proportion of elementary to secondary students and the amount of support received from the quality incentive factor. For the school units examined here, the amounts spent above the per pupil subsidized amount ranged from $45 for SAD 17 to $2787 per pupil for Wiscasset. For the 16 towns in the Table most fell within the range of $400 to $700. The mill rates required to raise the amounts above the subsidized portion, however, ranged from 0.41 mills for SAD 17 to 4.93 mills for Cape Elizabeth.

The variations in the additional mill rate levies above the 7.20 mill operating cost mill rate, however, do not always follow expenditures above the $2023 per pupil rate. For its additional 5.69 (0.76 + 4.93) mills above the 7.20 operating cost mill rate, Cape Elizabeth raised an additional $1113 ($225 + $888) . Falmouth Raised $1025 ($236 + $789) above the $2023 per pupil amount with an additional 3.76 (0.83 + 2.93) mills. Falmouth, therefore raised 92% of the additional per pupil amount Cape Elizabeth raised for only 61% of Cape Elizabeth's additional tax effort. Similarly, Brunswick raised $567 ($75 + $472) above the $2023 per pupil amount with an additional 3.45 (0.22 + 3.23) mills.

TABLE 1

MAINE'S CURRENT FUNDING FORMULA FOR OPERATING EXPENDITURES
FOR THE 1986-87 EXPENDITURE YEAR

	SUBSIDIZED		ABOVE SUBSIDY		TOTAL	UNSUBSIDIZED TOTAL
	EXPENDITURE	MILL RATE	AMOUNT	MILL RATE	MILL RATE	MILL RATE
AUBURN	$2,018	7.12	$147	1.29	8.41	19.03
AUGUSTA	$2,074	7.23	$230	1.56	8.79	15.62
BRUNSWICK	$2,095	7.42	$492	3.23	10.65	16.99
CAPE ELIZABETH	$2,248	7.96	$888	4.93	12.88	17.39
FALMOUTH	$2,259	8.03	$789	2.93	10.96	11.32
FREEPORT	$2,053	7.28	$751	3.64	10.93	13.60
KITTERY	$2,042	7.21	$690	3.76	10.97	14.87
MONMOUTH	$2,025	7.20	$470	4.91	12.11	26.10
OLD TOWN	$2,047	7.23	$216	1.36	8.59	14.31
ORONO	$2,205	7.79	$400	3.22	11.00	20.96
PORTLAND	$2,104	7.46	$682	2.94	10.40	12.01
WISCASSET	$2,226	3.71	$2,787	4.64	8.35	8.35
YORK	$2,032	7.20	$678	2.45	9.64	9.79
SAD 17	$2,025	7.20	$45	0.41	7.61	18.96
SAD 27	$2,037	7.25	$113	1.88	9.13	35.66
SAD 74	$2,035	7.24	$133	1.46	8.71	23.95
TOTAL	$2,162	7.04	$716	4.90	11.94	19.68

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Freeport, on the other had, raised $771 ($22 + $751) (36% more than Brunswick) for 3.72 (0.08 + 3.64) mills (8% more than Brunswick).

If the number of dollars per pupil that the State was willing to participate in subsidizing were increased, the tax effort would be equalized for school units expending the same per pupil amount.

A POWER EQUALIZATION FORMULA defines the State's subsidy as a guarantee of a certain number of dollars per student for every one mill raised. This figure is computed statewide as one mill times the State Valuation per pupil divided by the percent local share. Applying this definition for General Operating costs under the present formula in Maine for 1986-87, the per pupil guarantee was about $282 per student per mill levied.*

Up to the per pupil operating rates in Maine's present formula, a Power Equalization Formula and Maine's current formula provide the same state aid guarantee.

In its pure form, however, the Power Equalization Formula sets no limits on the amount it would subsidize above the current per pupil operating rates. The POWER to determine the amount spent per pupil would be at the local level. The State would EQUALIZE by guaranteeing each unit $282 per pupil for each mill raised by the local unit.

Under a power equalizing formula, the dollars raised above the current per pupil dollar limit would be equalized so that units with equal expenditures would have equal mill rates. The purpose of the Power Equalization Formula is to include dollars spent by local units above the current operating rates. To show the impact of increasing the amount of expenditures placed in the Power Equalized Formula, Table 2 computes the subsidy based on the two year old cost with a 10% inflation factor. Tables 3 computes the power equalization formula at 50% above the base year costs. For each increase in the amount subsidized, the amount spent above the subsidy and the mill rate needed to cover the amount above the subsidized amount decrease.

The mill rates required to cover the amount spent above the subsidized amount decreases as the amount of expenditures included in the subsidy increases. If the Power Equalization Formula had been based on base year expenditures plus 10%, Cape

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* Because the non-receiving units increase the total state valuation of the state, the per pupil per mill rate based on total state figures is $306 per pupil per mill. When computed on individual school units the figure varies around $282 per student per mill.

TABLE 2

POWER EQUALIZATION AT $282 PER STUDENT PER MILL — FOR THE 1986-87 EXPENDITURE YEAR
10% ABOVE 1984-85 BASE YEAR EXPENDITURES

	SUBSIDIZED		ABOVE SUBSIDY		TOTAL
	AVERAGE	MILL RATE	AMOUNT	MILL RATE	MILL RATE
AUBURN	$2,099.35	7.44	$65.28	0.57	8.02
AUGUSTA	$2,099.35	7.44	$204.29	1.39	8.83
BRUNSWICK	$2,099.35	7.44	$488.46	3.21	10.65
CAPE ELIZABETH	$2,099.35	7.44	$1,037.22	5.75	13.20
FALMOUTH	$2,099.35	7.44	$948.40	3.52	10.97
FREEPORT	$2,099.35	7.44	$704.96	3.42	10.86
KITTERY	$2,099.35	7.44	$632.44	3.44	10.89
MONMOUTH	$2,099.35	7.44	$395.75	4.14	11.58
OLD TOWN	$2,099.35	7.44	$163.70	1.04	8.48
ORONO	$2,099.35	7.44	$504.69	4.06	11.51
PORTLAND	$2,099.35	7.44	$687.55	2.44	9.88
WISCASSET	$2,099.35	3.50	$2,913.94	4.85	8.35
YORK	$2,099.35	7.44	$610.59	2.21	9.65
SAD 17	$2,099.35	7.44	($29.59)	-0.10	7.34
SAD 27	$2,099.35	7.44	$50.77	0.84	8.29
SAD 74	$2,099.35	7.44	$68.53	0.76	8.20
TOTAL	$2,099.35	7.44	$778.04	5.32	12.77

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TABLE 3

POWER EQUALIZATION AT $282 PER STUDENT PER MILL — FOR THE 1986–87 EXPENDITURE YEAR
50% ABOVE 1984–85 BASE YEAR EXPENDITURES

| | ———SUBSIDIZED——— | | ———ABOVE SUBSIDY——— | | TOTAL |
	AVERAGE	MILL RATE	AMOUNT	MILL RATE	MILL RATE
AUBURN	$2,862.75	10.15	($698.12)	-2.48	7.68
AUGUSTA	$2,862.75	10.15	($559.11)	-1.98	8.17
BRUNSWICK	$2,862.75	10.15	($274.94)	-0.97	9.18
CAPE ELIZABETH	$2,862.75	10.15	$273.82	1.52	11.67
FALMOUTH	$2,862.75	10.15	$185.00	0.69	10.84
FREEPORT	$2,862.75	10.15	($58.44)	-0.21	9.94
KITTERY	$2,862.75	10.15	(130.96)	-0.46	9.69
MONMOUTH	$2,862.75	10.15	($367.65)	-1.30	8.85
OLD TOWN	$2,862.75	10.15	($599.70)	-2.13	8.03
ORONO	$2,862.75	10.15	($258.71)	-0.92	9.23
PORTLAND	$2,862.75	10.15	($75.85)	-0.27	9.88
WISCASSET	$2,862.75	4.77	$2,150.54	3.58	8.35
YORK	$2,862.75	10.15	($152.81)	-0.54	9.61
SAD 17	$2,862.75	10.15	($792.99)	-2.81	7.34
SAD 27	$2,862.75	10.15	($712.63)	-2.53	7.62
SAD 74	$2,862.75	10.15	($694.87)	-2.46	7.69
TOTAL	$2,862.75	10.15	$14.64	0.10	10.25

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Elizabeth would have raised 5.76 mills above the subsidized operating cost mill rate of 7.44 (for a total of 13.20 mills) and Monmouth would have raised 4.14 mills above (for a total of 11.58 mills). If the Power Equalization had been funded at 50% above the base year expenditures, Cape Elizabeth could fund its schools on 1.52 mills above the new subsidized mill rate of 10.15 mills and Monmouth could have funded its schools on a total local contribution of 8.85

The advantage of the power equalized formula is that it focuses attention on the State formula's equal treatment of all school units by highlighting the State's guarantee of the same per pupil amount for every mill raised by a local school unit.

The local units set the level of expenditure. If there were no maximum limit, or if the maximum were set considerably above the current rates, school units with less property value per pupil would be able to provide the same number of dollars per student for the same mill rate effort as towns with more property value per pupil.

The current formula funded a 6% inflation rate on general operating costs for $12 million. The cost of the Power Equalization Formula in 1986-87 would have been approximately $20 million for each 10% above the base year expenditures for General Operating Costs. This would have exposed the State to an additional $100 million if the formula was computed at 50% above the base year expenditures. However, since not all units spent, or would have spent under a power equalized formula, the full 50% above the two year old base year average, the actual cost to the state would have been less than $100 million.

In its discussion of the proposal, the commission felt that such a formula would be a dramatic change in philosophy from the formula Maine has used since the early 1970s. Maine's present formula is based on subsidizing year old general operating costs. The commission did not feel that the state should move in the direction of subsidizing current year costs, at least at this time. It agreed with the current philosophy that expenditures above the estimate of average one year old costs were a local responsibility.

B. Increasing the Percent Inflation Update

In its discussions the the commission generally agreed that the recent steps to insure that the updates of the two year old base year costs produced adequate estimates of year old costs were positive steps. Prior to the past session, the percentage update was to reflect changes in a number of enrollment and cost factors but be "conscious of the need for prudent restraint." The past session added the stipulation that the "adjustment shall not be less than the average of the most recent annual percentages of increase in statewide operating and program costs." This still leaves the subsidizable costs

one year behind actual expenditures. As presented in a previous section of this report, this represents about $300 to $400 dollars behind the actual current year per pupil average (about 10% to 12% less than actual per pupil expenditures).

The basic philosophy behind increasing the amount of subsidizable dollars is a commitment behind increasing the amount of dollars spent per pupil. It implicitly recognizes that a basic education, or more to the point a high quality education, will typically require school units to spend above the two year old expenditure figures. Districts with greater amounts of property value per pupil will have an easier time raising these dollars than property poorer districts. To treat taxpayers equally and to provide students access to more subsidized program dollars, effort would be directed at expanding the amount of subsidizable dollars available.

The following graph presents in a general way how additional state aid is distributed when the amount of subsidizable dollars is increased. In particular the graph shows that the additional aid is distributed in the same fashion as existing aid. Those units with smaller amounts of state valuation per pupil would receive more additional aid than those units with larger valuations per pupil. Thus those units who presently receive 90% state aid would receive 90 cents in state aid for every new dollar brought into the formula. Those units who receive little state aid would receive a smaller proportion for every new dollar brought into the subsidized amount, the same percent they currently receive for subsidizable operating costs.

The commission discussed the problem that increasing the amount of subsidizable dollars would not increase the state's percentage share of the subsidizable portion of the school expenditures. Also, if a school unit was spending at or below the current per pupil subsidizable rates, the unit would have to increase its local expenditures to gain access to the increase in subsidizable dollars. However, as the preceding discussion indicated most units do now spend above the current per pupil subsidies.

The commission voted not to increase the amount of subsidized per pupil general operating dollars at this time (see page 53 for other votes combining this issue with the recommendation to increase the percent of state aid).

C. Out of District Special Education Placements

A particular problem for school units has been the cost of out of district (largely residential) special education placements. These costs often are well over $10,000. While they are eventually included in the school funding formula, school units must wait two years before the base year costs are added to the unit's subsidizable allocation for the current

GRAPH 8

CURRENT YEAR FUNDING

STATE AVERAGE PER PUPIL EXPENDITURES

PER PUPIL OPERATING RATE

LOCAL SHARE

STATE SHARE

ESTIMATE OF YEAR OLD COSTS→

←ESTIMATE OF CURRENT YEAR COSTS

PER PUPIL EXPENDITURES
(Thousands)

2.2
2
1.8
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0

$25,000 $175,000 $350,000

STATE VALUATION PER PUPIL
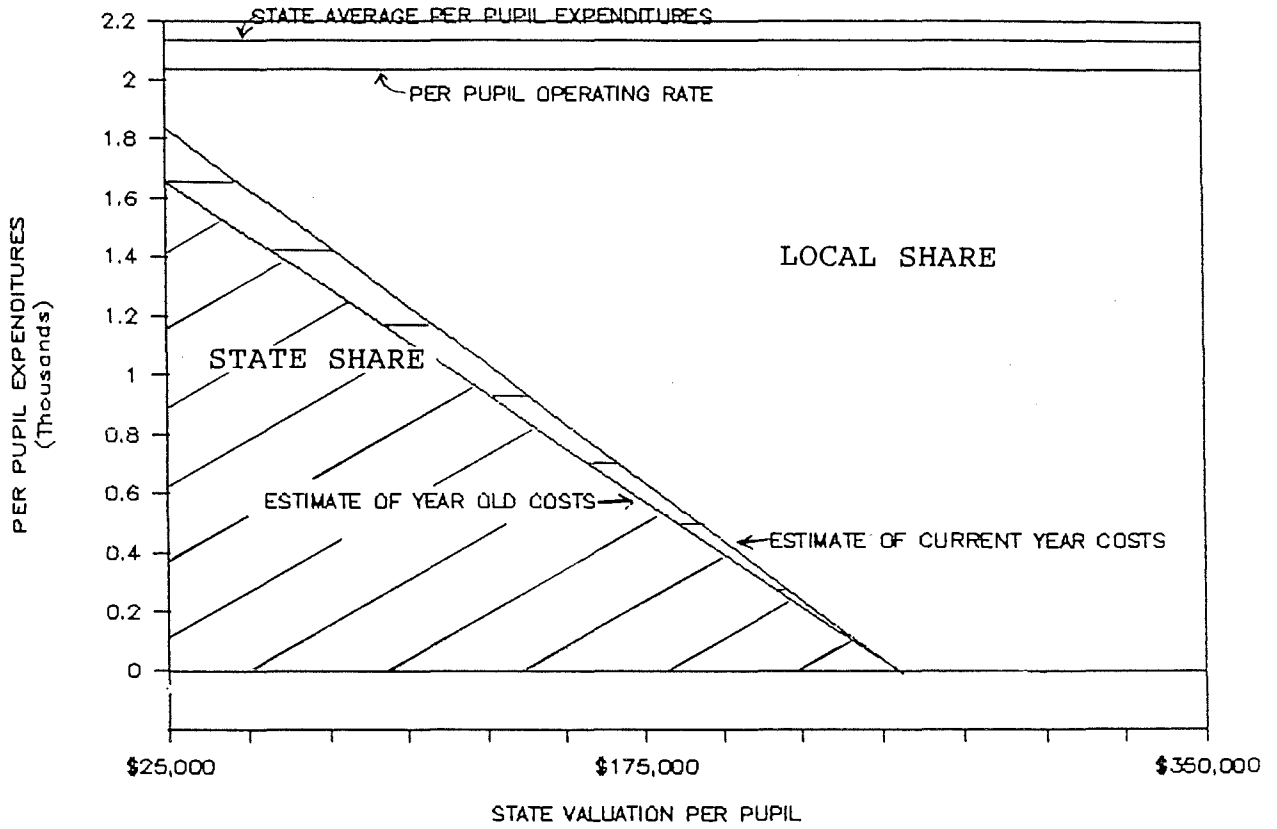
year. While not all costs should be immediately included in
the formula, a bill from the past session of the legislature
suggested that costs in excess of three times the secondary per
pupil average should be subsidizable in the year of
expenditure. Because of difficulties in identifying and
tracking these students, a different and less targeted formula
was passed last session. On the positive side, the fact that
the bill was passed last session means that there is money in
the current budget proposal. The commission felt, however,
that the original bill directed the additional state aid to
those school units who really needed it.

RECOMMENDATION: Costs in excess of three times the secondary
per pupil operating rate shall be added to a school unit's
program allocation in the current year. A transition provision
should be used for students who are already in out of district
placements.

D. Increasing the Percentage State Share

Ever since is was originally enacted in the early 1970s,
the goal has been to bring the state's share up to 60%. As
usually presented, it is an increase in the percent of
subsidizable costs as currently defined. It does not include
local expenditures above the subsidized amounts in the formula.

The implicit philosophy behind the proposal is that the
state should be concerned with helping school units fund a
basic minimum education for all students in the state. More
expensive programs or increased variety in programming would be
the responsibility of local municipalities. As originally
construed, this local responsibility was to act more or less as
a cost control mechanism or brake on unnecessary expenditures
while at the same time not limiting local initiatives.

In practice, increasing the state share of subsidizable
costs, as currently defined, acts to lower the mill rate local
school units have to raise for this portion of their school
budgets. Since the mill rate reduction, on the State Valuation
of property, will be the same for all units, increasing the
percent of state aid will draw in a few additional towns which
are currently non-receiving units. It will also tend to give
more additional aid, in dollars per pupil, to units which
presently receive a low percent of state aid and a smaller
dollar amount per pupil to units which receive a large percent
of state aid. This pattern of distribution is presented in a
general way in the following graph. This difference results
from the fact that the mill rate reduction is the same in all
school units. However, since some school units have a larger
property valuation per pupil than others, they will experience
a larger reduction in their local share than units with a
smaller property valuation per pupil. (See Graph 9 for a
visual picture of the distribution.)

GRAPH 9

INCREASE STATE AID FROM 55% TO 60%

PER PUPIL EXPENDITURES (Thousands)

STATE AVERAGE PER PUPIL EXPENDITURES

PER PUPIL OPERATING RATE

LOCAL SHARE

STATE SHARE

55% STATE AID →

← 60% STATE AID

$25,000 $175,000 $350,000

STATE VALUATION PER PUPIL
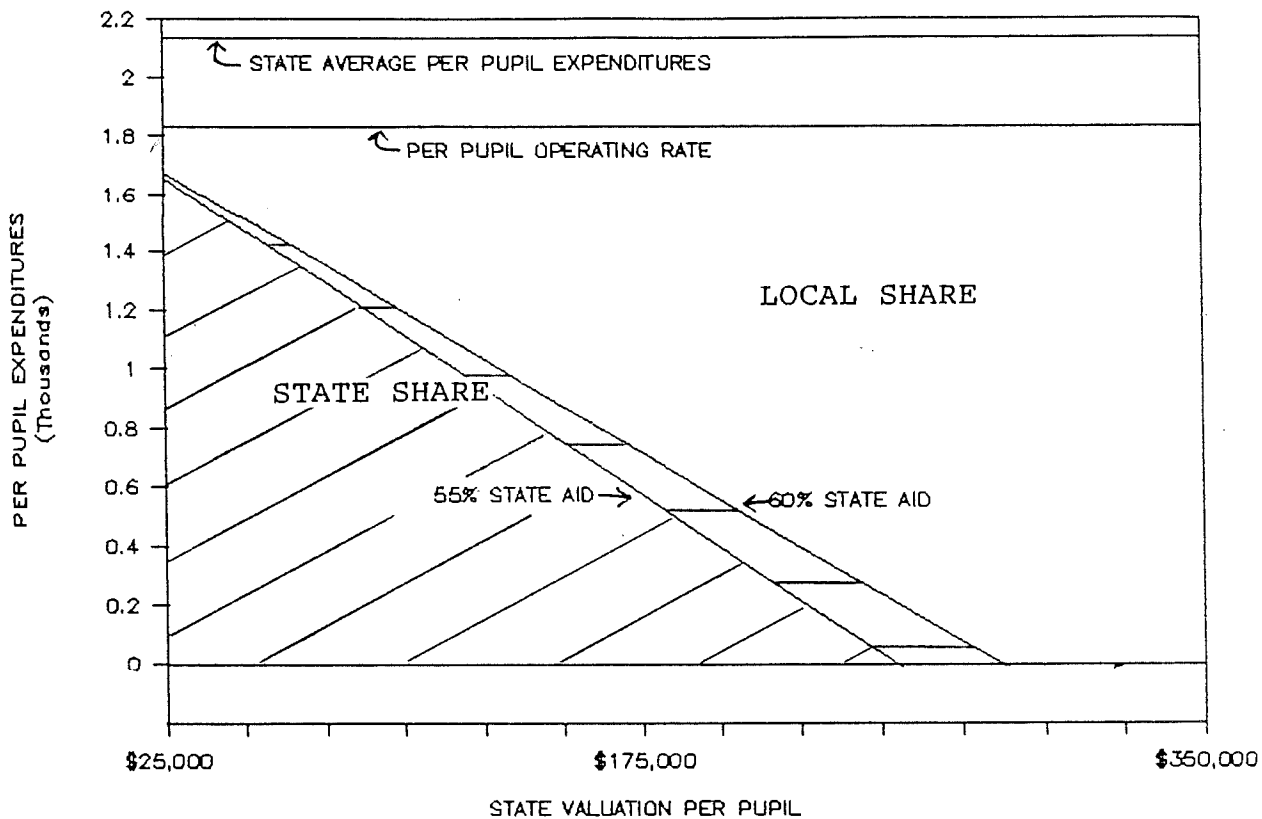
The commission considered several alternatives of increasing the percentage state share either alone or in combination with increasing the amount of subsidizable per pupil dollars. While a substantial minority of the commission supported increasing both, a 6 to 4 majority rejected the motion. A 7 to 5 majority recommended increasing the percentage state share to 60% in two steps, to 58% the first year and 60% in the second.

RECOMMENDATION: The percentage state share should be increased to 58% for the 1990-91 school year and 60% for the 1991-92 school year.

E. Average Teacher Salaries and School Funding Formula

One of the possible explanations of the higher per pupil costs experienced by certain school units was differences in the average teachers' salaries among the units. These differences are caused by the experience of the teachers and the salary competition from other sectors of the economy. Schools with higher average costs, however, do not necessarily have lower pupil teacher ratios nor do the students necessarily have any more or better teacher services. In discussions, some members of the commission felt that these higher salaries were the result of the general higher cost of living in certain areas of the state. The question was raised as to whether the inclusion of a teacher salary adjustment would help the units in high cost and high growth areas.

As a way of assessing the effect of this type of adjustment an example was developed for 16 units. The adjustment was computed as the unit's average salary as a percent of the average salary in the state. This would give school units with higher than average teacher salaries access to additional money to pay for those costs.

Since teachers' salaries are about 60% of general operating costs (GOC), the adjustable salary cost was set at 60% of general operating costs. The salary adjustment factor (SAF) would be computed as the ratio of the average teacher's salary in the school unit divided by the average teacher's salary in the state. The increase (or decrease) in allowable costs would be the adjustable salary costs times the units salary adjustment factor times the unit's percent state share (PSS). The total formula was:

(GOC) X (60%) X (SAF) X (PSS)

Table 4 shows the average teacher salaries, salary ratios, and adjustment to the state share for 16 school units for the 1986-87 school year. As indicated, Cape Elizabeth had an average salary 20% above the state average and they would have gotten an additional $148,214 in state aid. Wiscasset, because it needed only 3.71 mills to fund the subsidizable portion of

TABLE 4

INCLUDING AN ADJUSTMENT FOR AVERAGE TEACHER SALARIES

	1986-87 SUBSIDIZABLE GENERAL OPERATING COSTS	PERCENT STATE SHARE	ACTUAL LOCAL MILL RATE	AVERAGE TEACHER SALARIES	SALARY RATIO LOCAL TO STATE	STATE AID ADJUSTMENT FOR TEACHER SALARIES
AUBURN	$8,493,566	60%	7.12	$22,275	1.05	$146,116
AUGUSTA	$6,546,705	49%	7.23	$21,336	1.00	$7,086
BRUNSWICK	$5,987,411	46%	7.42	$21,662	1.02	$31,533
CAPE ELIZABETH	$3,459,848	36%	7.96	$25,453	1.20	$148,214
FALMOUTH	$2,454,393	4%	8.03	$25,186	1.18	$11,650
FREEPORT	$2,076,010	27%	7.28	$21,025	0.99	($3,656)
KITTERY	$2,645,190	35%	7.21	$21,661	1.02	$10,603
MONMOUTH	$1,329,644	66%	7.20	$21,284	1.00	$669
OLD TOWN	$2,860,238	44%	7.23	$22,258	1.05	$35,708
ORONO	$1,736,052	56%	7.79	$22,353	1.05	$30,134
PORTLAND	$16,484,129	18%	7.46	$22,784	1.07	$126,253
WISCASSET	$1,389,039	0%	3.71	$24,831	1.17	$0
YORK	$3,378,640	2%	7.20	$21,677	1.02	$785
SAD 17	$7,178,623	61%	7.20	$21,848	1.03	$73,287
SAD 27	$3,531,708	79%	7.25	$22,029	1.04	$60,450
SAD 74	$1,286,608	68%	7.24	$19,531	0.92	($62,681)
STATE AVERAGE				$21,257	1.00	

TEACHER SALARY COSTS = (60%) X (GENERAL OPERATING COSTS)

STATE AID ADJUSTMENT = (TEACHER SALARY COSTS) X (SALARY RATIO – 10 X (STATE AID PERCENT)

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their school costs, would not have received an adjustment even though their average salary was 17% above the state average.

Two of the school units on the list would have lost under the adjustment -- Freeport and SAD 74 -- because they had average salaries less than the state average. The negative impact could be eliminated by giving all units with average salaries less than the state average a salary ratio of one (1).

After discussing the implications of adjusting the formula for average salaries, the Commission decided not to recommend its inclusion in the formula at this time. Salaries are only one factor on which school unit expenditures might legitimately vary. Before recommending a change in this direction, the implications for other factors should be examined first.

F. Low Income Weight Factor

The commission felt that low income students might require a greater investment of teacher time and other resources to to provide the same educational opportunity. School units which have a high number of students from low income families, however, do not receive additional aid through the school funding formula.

One method discussed by the commission was to use a weighted count for low income students whereby additional state aid would be provided to school units by counting students from low income families as more that one student. Low income could be defined as the number of students receiving free or reduced price school lunches. The added weight is intended to reflect the added cost of providing an equal educational opportunity to low income students. The weight is then multiplied times the per pupil operating rate to give an increased subsidizable amount for the school unit in which the student is located.

Table 5 computes the additional subsidy based on added weights of 10% and 20% for students receiving subsidized lunches. This could either be funded totally with state dollars by using it as an adjustment to the unit's state subsidy (Method #1) or it could be added to the subsidizable costs and then shared state and local as with the quality incentive (Method #2).

Auburn has a total of 1138 students who receive subsidized lunches. At 10% of the $2030 per pupil amount this would equal $231,014. Under Method #1, it would yield and additional $231,014 in aid. Under Method #2, it would result in an additional $138,308 in state aid since Auburn gets 60% state aid. The total cost to the state, for a 10% weight, would be around $12 million for the first method and $7 million for the second. Approximately the same amount of state dollars ($13 million) could be used to fund a 20% weight using Method II as it would cost to fund 10% under Method #1.

TABLE 5

LOW INCOME WEIGHT FACTOR IN SCHOOL SUBSIDY FORMULA

	1986-87 SUBSIDIZABLE GENERAL OPERATING COSTS	PERCENT STATE SHARE	SCHOOL LUNCHES			ADDED STATE AID FOR GENERAL OPERATING COSTS (PER PUPIL OPERATING RATE = $2030)			
			FREE	REDUCED	TOTAL	ADDED 10% WEIGHT		ADDED 20% WEIGHT	
						METHOD #1	METHOD #2	METHOD #1	METHOD #2
AUBURN	$8,493,566	60%	837	301	1,138	$231,014	$138,308	$462,028	$276,616
AUGUSTA	$6,546,705	49%	660	205	865	$175,595	$85,234	$351,190	$170,468
BRUNSWICK	$5,987,411	46%	385	290	675	$137,025	$63,127	$274,050	$126,255
CAPE ELIZABETH	$3,459,848	36%	18	11	29	$5,887	$2,129	$11,774	$4,259
FALMOUTH	$2,454,393	4%	24	14	38	$7,714	$330	$15,428	$660
FREEPORT	$2,076,010	27%	68	71	139	$28,217	$7,588	$56,434	$15,175
KITTERY	$2,645,190	35%	113	107	220	$44,660	$15,698	$89,320	$31,396
MONMOUTH	$1,329,644	66%	150	63	213	$43,239	$28,551	$86,478	$57,101
OLD TOWN	$2,860,238	44%	420	145	565	$114,695	$50,679	$229,390	$101,358
ORONO	$1,736,052	56%	123	29	152	$30,856	$17,313	$61,712	$34,627
PORTLAND	$16,484,129	18%	1,980	454	2,434	$494,102	$87,802	$988,204	$175,604
WISCASSET	$1,389,039	0%	107	88	195	$39,585	$0	$79,170	$0
YORK	$3,378,640	2%	70	56	126	$25,578	$501	$51,156	$1,003
SAD 17	$7,178,623	61%	703	480	883	$179,249	$109,700	$358,498	$219,401
SAD 27	$3,531,708	79%	609	329	938	$190,414	$149,570	$380,828	$299,140
SAD 74	$1,286,608	68%	373	81	454	$92,162	$62,477	$184,324	$124,953
STATE TOTAL		56%	42,367	16,078	58,445	$11,864	$6,644,028	$23,728,670	$23,288,055

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The distribution of aid under the two methods tends to favor different groups of school units. School units receiving a low percentage state aid get more under the first method. High percentage state aid receivers receive more under the second method given the same investment of state dollars.

As would be expected, those units which had few low income students would receive little additional aid while those with larger numbers of students would receive a considerable increase. Thus the larger urban areas and more isolated rural towns tend to get additional subsidy. Units like Cape Elizabeth and Falmouth would only receive small increases.

After consideration the commission felt that adding a weighted count for these students was not appropriate at this time.

G. Income and the School Funding Formula

The distribution of aid under the school subsidy formula is based on a community's wealth, wealth being defined as the State Valuation the unit's property. This is also occasionally referred to as the community's ability to pay. However effective property taxes have been as a source of revenue for municipalities and school districts, many people, including the members of the commission, cannot quite accept property as an indication of an individual's wealth or ability to pay. Individuals live off their income. The logical conclusion is that income is a better indication of an individual's ability to pay. The question then becomes would it not be farer to include income in the school funding formula as a measure of ability to pay.

Under the assumption that property taxes will still be the main local revenue source and that the average per capita income of the community would be used for the adjustment, the commission developed the following example to examine the effect of adding income as a measure of wealth in the formula.

First, the local mill rate for (subsidizable) general operating costs was divided in two parts. Seventy-five percent (75%) remained based on property valuation and twenty-five percent (25%) was adjusted according to the per capita income of the unit.

Second, the per capita income adjustment was calculated by dividing a unit's average per capita income by the statewide average per capita income. Units with an average per capita incomes higher than the state wide average would have per capita income ratios (PCIR) greater than one. Units with per capita incomes less than the state average would have PCIRs of less than one.

Third, income was added as a measure of wealth by adjusting the 25% of each unit's mill rate by the unit's PCIR. Specifically the adjustment was calculated by multiplying the local unit's per capita income ratio (PCIR) times the proportion of the unit's general operating cost mill rate (GOCMR) to be adjusted (25% X GOCMR). The product was then added to the remaining 75% portion of the unit's GOCMR. The total formula was calculated as follows:

$$(PCIR) \ X \ (25\% \ X \ GOCMR) + (75\% \ X \ GOCMR)$$

Table 6 shows the computations the per capita income ratios, the adjustments to the mill rate, and the resulting changes in state aid for 16 school units based on the subsidy calculations for 1986-87 school year. As indicated in the table, Auburn had a slightly higher per capita income than the state -- $9237 versus $9063 -- for a PCIR of 1.02. This ratio adjustment would have resulted in a .03 mill or $16,563 increase in the local share for Auburn. Cape Elizabeth had a per capita income of $17,809 for a ratio of 1.97. This ratio adjustment would have resulted in a 1.74 mill or $482,138 increase in the local share. On the other side of the ledger, SAD 74 had a per capita income of $7,250 for a ratio of .80. This ratio adjustment would have resulted in a .36 mill reduction in the unit's mill rate or a $30,386 increase in state aid.

The above description indicates how the adjustment would have affected the local share and state aid at the school unit level. The adjustment would also have had an impact at the taxpayer level. Table 7 computes what the tax increase or savings would have been at the taxpayer level. The computations are made for two properties -- one valued at $75,000 and the other at $150,000. Within each property value category the subsidy is computed for two taxpayer income levels -- one of $25,000 annual income and the other of $50,000 income.

A quick look at the table first indicates that the savings or added cost to the taxpayer depends on the value of the property but does not vary with income. The taxpayer in Auburn with an income of $25,000 would have paid $2.60 more if they owned a $75,000 home and twice that amount, or $5.19, if they owned a $150,000 home. The same would have been true of a taxpayer earning $50,000.

In Cape Elizabeth, the tax increase would have been $130.28 on a $75,000 ($260.57 on a $150,000 home) for both the taxpayer earning $25,000 a year and the taxpayer earning $50,000. The increase would have been the same even though the per capita income of a family of 3 earning $25,000 is only $8,333 or below the state average per capita income. A $50,000 income for a family of 3 would yield a per capita income of $16,667.

TABLE 6

INCLUDING INCOME IN THE SCHOOL FUNDING FORMULA:
COMPUTATION OF THE CHANGE IN THE LOCAL MILL RATE AND STATE SHARE

	1986-87 SUBSIDIZABLE GENERAL OPERATING COSTS	PERCENT STATE SHARE	GENERAL OPERATING SUBSIDY MILL RATE	PER CAPITA INCOME 1985	INCOME RATIO TO STATE AVERAGE 1985	STATE VALUATION MILL RATE (3/4 MR)	ADJUSTED PERCAP. INCOME MILL RATE (1/4 MR - RATIO)	TOTAL ADJUSTED MILL RATE	CHANGE IN MILL RATE	CHANGE IN STATE SHARE
AUBURN	$8,493,566	60%	7.20	$9,237	1.02	5.40	1.83	7.23	0.03	($16,563)
AUGUSTA	$6,546,705	49%	7.20	$9,841	1.09	5.40	1.95	7.35	0.15	($71,972)
BRUNSWICK	$5,987,411	46%	7.20	$10,196	1.13	5.40	2.03	7.43	0.23	($97,951)
CAPE ELIZABETH	$3,459,848	36%	7.20	$17,809	1.97	5.40	3.54	8.94	1.74	($482,138)
FALMOUTH	$2,454,393	4%	7.20	$15,613	1.72	5.40	3.10	8.50	1.30	($380,662)
FREEPORT	$2,076,010	27%	7.20	$11,643	1.28	5.40	2.31	7.71	0.51	($106,798)
KITTERY	$2,645,190	35%	7.20	$12,562	1.39	5.40	2.49	7.89	0.69	($165,374)
MONMOUTH	$1,329,644	66%	7.20	$8,426	0.93	5.40	1.67	7.07	-0.13	$7,936
OLD TOWN	$2,860,238	44%	7.20	$8,697	0.96	5.40	1.73	7.13	-0.07	$16,052
ORONO	$1,736,052	56%	7.20	$6,882	0.76	5.40	1.37	6.77	-0.43	$42,382
PORTLAND	$16,484,129	18%	7.20	$10,386	1.15	5.40	2.06	7.46	0.26	($477,549)
WISCASSET	$1,389,039	0%	3.71	$7,602	0.84	2.78	0.78	3.56	-0.15	$55,995
YORK	$3,378,640	2%	7.20	12,530	1.38	5.40	2.49	7.89	0.69	($316,980)
SAD 17	$7,178,623	61%	7.20	7,858	0.87	5.40	1.56	6.96	-0.24	$92,588
SAD 27	$3,531,708	79%	7.20	7,719	0.85	5.40	1.53	6.93	-0.27	$27,912
SAD 74	$1,286,608	68%	7.20	7,250	0.80	5.40	1.44	6.84	-0.36	$30,386

STATE AVERAGE $9,063

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TABLE 7

ADDED COST OR (SAVINGS) TO THE INDIVIDUAL TAXPAYER
BY VALUE OF PROPERTY AND INCOME OF TAXPAYER

| | AVERAGE PERCAPITA INCOME | MILL RATE CHANGE | VALUE OF PROPERTY | | | |
| | | | $75,000 TAXPAYER INCOME | | $150,000 TAXPAYER INCOME | |
TOWN			$25,000	$50,000	$25,000	$50,000
AUBURN	$9,237	0.03	$2.60	$2.60	$5.19	$5.19
AUGUSTA	$9,841	0.15	$11.59	11.59	$23.18	$23.18
BRUNSWICK	$10,196	0.23	$16.88	$16.88	$33.76	$33.76
CAPE ELIZABETH	$17,809	1.74	$130.28	$130.28	$260.57	$260.57
FALMOUTH	$15,613	1.30	$97.57	$97.57	$195.14	$195.14
FREEPORT	$11,643	0.51	$38.43	$38.43	$76.87	$76.87
KITTERY	$12,562	0.69	$52.12	$52.12	$104.25	$104.25
MONMOUTH	$8,426	-0.13	($9.49)	($9.49)	($18.97)	($18.97)
OLD TOWN	$8,697	-0.07	($5.45)	($5.45)	($10.90)	($10.90)
ORONO	$6,882	-0.43	($32.49)	($32.49)	($54.97)	($54.97)
PORTLAND	$10,386	0.26	$19.71	$19.71	$39.42	$39.42
WISCASSET	$7,602	-0.15	($11.21)	($11.21)	($22.42)	($22.42)
YORK	12,530	0.69	$51.65	$51.65	$103.30	$103.30
SAD 17	7,858	-0.24	($17.94)	($17.94)	($35.89)	($35.89)
SAD 27	7,719	-0.27	($20.02)	($20.02)	($40.05)	($40.05)
SAD 74	7,250	-0.36	($27.00)	($27.00)	($54.00)	($54.00)

STATE AVERAGE

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Conversely, both the $25,000 income earner and the $50,000 income earner in SAD 74 would have received a tax break. The tax break for both would have been $27 on a $75,000 home and $56 on a $150,000 home.

From the above example, the commission concluded that adding income into the formula did not necessarily help those individuals who the income factor was intended to help. Income is a measure of an individual's ability to pay and communitywide income averages mask the variation in incomes within a community. The commission concluded that if income is an appropriate index of an individual's ability to pay, help should be targeted on the individuals who need the help.

There are also other problems with adding income to the measure of wealth of a community. One often mentioned is the fact that property valuations are based on all property. Per capita, and other income measures, are based on the personal income of year round residents. The measures do not include income of corporations or non-resident (seasonal) property owners.

H. Property Tax Circuit Breakers and Homestead Exemptions

The commission discussed two methods of bringing property tax relief to individuals. Expanding the low income and elderly property tax and rent relief circuit breaker programs which are already in effect or adopting a homestead exemption approach.

The circuit breaker approach uses general fund revenues to provide relief to low and moderate income individuals. As typically constructed, homestead exemptions, exempt a set amount of value on each residence regardless of the wealth of the individual. Under Maine law, the state's general fund revenues must make up 50% of the cost of any property tax exemption. The other 50% is picked up by the remaining property valuation in the community. Thus homestead exemptions are partially a tax shift from residential to non-residential property and partly a shift from less expensive to more valuable residential properties. The exact amount of the shift among these groups would vary from community to community.

In general, the commission members felt the tax relief should come from the state's general fund taxes and not from shifts among property tax groups. They also were concerned that if there was a shift from low to high value residential property, it may exacerbate the problem faced by some of the individuals that need to be helped, namely those individuals with expensive properties but low incomes.

The commission invited Charles Colgan from the State Planning Office to discuss the property tax and rent relief circuit breaker programs for the commission. He informed the

commission that the State Planning Office was revising the data set that they used to make estimates of the cost of changes in the circuit breaker programs. The revisions were not, however, completed in time for the commission to examine the cost of various changes in the present formula.

A complaint of the program which several commission members raised was the fact that the perception that was created because the checks went directly to the individual. There was general agreement that it would be better if the state made the payment to the town and then the individual taxpayer was given a credit on the property tax bill. The reason given for the present method was that the payments were really for the past tax bill. If that was the case, the commission felt that the cycle should be moved forward a year so that the state payments could be credited to the coming tax bill.

RECOMMENDATION: The existing Household Tax and Rent Refund program should be strengthened by raising the income cap for those eligible and increasing the maximum benefit. The relief for property taxes should be sent to the town and credited to the recipient's coming tax bill.

Another alternative briefly discussed by the commission was the possibility of reverse mortgages. This approach recognizes that property values are a source of wealth for individuals but that it is a form that is not as easily accessible as other forms. Reverse mortgages are a way of allowing individuals to borrow from the increased value of their property. As with any other mortgage, it would have to be paid when the property is transferred. While it would help some individuals, the commission did not pursue it as an alternative.

I. Minor Capital Costs

The problem of non-minor, minor capital costs was brought to the attention of the commission by the Superintendents Association. Minor capital costs include all repairs which are not part of major renovations which have been approved by the State Board for inclusion under the construction bond limits. These "minor costs" can often be major expenses when a roof repair requires a considerable restructuring or when asbestos or an underground oil tank must be removed.

In the former case, it is in the interest of the state to protect their investment and have the school keep its roof in good repair. In the latter two, they are things that must be done for the health and safety of the children or the surrounding area and are backed by state mandates.

At present, minor capital costs are included under general operating costs in the formula. This means that while they are shared between the state and local governments according to the percentages in the formula, the aid does not go to those units

which experienced the cost. Rather the expenditures are added to general operating costs and calculated into the per pupil rates. While this marginally helps all units by increasing the per pupil rates used to calculate the general operating allocation for each unit, those school which have the expenses must pay for them with local tax revenues. The commission favored shifting these costs to the debt service portion of the formula so that the state aid dollars would go to those units making the expenditures.

RECOMMENDATION: Minor capital costs for roof repairs, asbestos removal and underground oil tank removal should be moved from general operating to the debt service sections of the school funding formula.

J. New or Expanded Special Education Programs

The problem of funding new and expanded programs has been continually raised as an issue before the legislature and other forums. The concern has often been presented in terms of programs mandated by the state.

One of the most rapidly expanding programs has been special education programs. This expansion has partly been the result of state and federal mandates requiring local school units to educate all students. The pressure from parents at the local level and the acceptance of educators and the general public that these can and deserve to benefit from educational opportunities in public schools has also supported the increase.

Another expanding area has been gifted and talented programs. This is again an area where the state has been actively encouraging schools to provide programs and where there has been considerable demand at the local level.

Whatever the cause, however, special education and gifted and talented programs have expanded rapidly and the commission members felt that school units need additional state aid.

RECOMMENDATION: School administrative units should be able to add the salary cost for professionals in new or expanded special education or gifted and talented programs for the year prior to the year of allocation on to their program allocation.

SUMMARY

The Commission to Study the School Finance Act of 1985 and Related Property Tax Law was created to conduct a review of the method by which the state provides for elementary and secondary education and its impact on individual taxpayers. It first reviewed the school finance formula and the State's method of calculating each community's State Valuation. While the commission found both of these formulas and processes complicated, it did not discover any fundamental weaknesses with the intent, structure or process of implementing either.

In examining the amounts school units spent per pupil, the commission found that units generally spent from $200 less than the subsidized per pupil operating rates for elementary or secondary pupils up to $1000 above these rates. Small size, under 75 elementary pupils or under 150 secondary pupils, explained some of the variation in the expenditures. There did not appear to be any economies of scale above these small unit levels. The amount of property value per pupil available for a unit to tax appeared to have a more general relationship to expenditures of most units regardless of size. Even combining both of these factors, however, left considerable unexplained variation in expenditures. This remaining variance must either be accounted for by differential costs for similar programs or variation in voters support for education.

The commission's study of changes in state valuation revealed the expected rapid increases in the State Valuation of communities in York County and certain other areas in southern Maine. What the commission found interesting, however, was the lack of consistency in which some communities had relatively larger increases in valuation than the state and some were increasing at a slower rate than the state as a whole when valuations were examined over a 10 to 12 year period.

Since much of the change in the State Valuation of communities was caused by the construction or expansion of industrial properties (or conversely their closing or depreciation), the commission members rejected consideration of proposing changes which would have made the State Valuation process less sensitive to these changes.

It was clear to the commission in examining the sales ratio study data compiled by the Bureau of Taxation from selected communities that the assessment practice of individual communities might be a significant source of inequity within the property tax system. While the State Valuation process equalizes average property values from community to community, large inequities may remain within a community due to local assessment practices. These inequities can be adjusted if a community undertakes a community wide revaluation. However, these adjustments are often criticized by those who find their property values adjusted upward. In certain cases, these criticisms appear to have provided the momentum for property tax cap initiatives.

The commission's general conclusion from examing the State
Valuation data in combination with the trends in the mill rates
levied for education over time was that the State Valuation
process and the School Funding Formula generally accomplish
what they were intended to accomplish. On the one hand, they
provide state aid for education in a manner which guarantees
money for a basic education for all students in the state. On
the other, they have equalized and stabilized the tax burden
for education on taxpayers across the state.

The commission did, however, suggest certain changes which
would help alleviate some of the particular problems. The
commission recognized that individual taxpayers may experience
difficulty in paying their property taxes. This difficulty is
not only attributable to educational costs, however. Much of
the local tax burden, particularly in larger communities, is
caused by non-educational expenditures. The commission also
felt that not all taxpayers in the state, or all taxpayers in a
community, were equally burdened by property taxes. Because of
the individual nature of the problem, the commission
recommended strengthening the states existing programs for
property tax and rent relief directed at individuals. They
also recognized the historical commitment of the state to
provide 60% state aid for education.

In terms of corrections to the School Funding Formula, the
commission felt there were three areas that needed particular
attention. First, the burden of out of district placements was
not felt to be appropriately placed on individual school
units. The commission recommended that the state assume
responsibility for the current year cost of these programs.
Second, because the state aid generated by minor capital costs
in the formula does not go to the units which incurred them,
the commission recommended moving certain of these costs from
the general operating to the debt service portion of the
formula. Third, special education and gifted and talented
programs are two areas of state mandated programs. In an
effort to get the expanding costs of these programs up to a
closer reflection of actual costs the commission recommended
allowing school units to include the costs for new positions in
these areas into the formula on a one year old basis.

Finally the commission recognized that there were certain
unresolved questions relating to public support for property
taxes and property assessment practices. The commission felt,
however, that the problem might lie more with local assessment
practices than with the State Valuation process. The
commission recommended the establishment of a new commission
which would directly take up the issue of property valuation at
the municipal level.

APPENDIX

A

MAINE'S

SCHOOL FUNDING FORMULA

(Revised Version -- April 29, 1988)

I. Principles Upon Which the Present Funding Formula is Based

II. Major components of State Aid to Schools

III. Issues Concerning the Formula

IV. Who Benefits from Changes in the School Funding Formula

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I. PRINCIPLES UPON WHICH THE PRESENT FUNDING FORMULA IS BASED

EQUITY: The school subsidy formula is based on two basic principles:

1. *EQUITY FOR STUDENTS:* That enough money is available in each school district to provide a basic educational opportunity for every student; and

2. *TAXPAYER EQUITY:* That individual property taxpayers are assessed the same property tax rates* to pay for providing this basic educational opportunity regardless of the municipality or part of the state in which they live.

LOCAL AUTHORITY OVER SCHOOLS: The authority for approving school budgets and assessing taxpayers to cover the cost rests with local town meetings or town councils. The authority for designing school budgets rests with local school boards and school personnel. The school boards and school officials also set curricula and the curricula content of state mandated programs.

STATE MANDATES: The state mandates include protection of the health and welfare of the students, courses required for graduation or required to be offered students, maximum class sizes, age at which children enter school, and equal opportunity for special education students.

ABILITY TO PAY: The state is concerned with the individual taxpayer's ability to pay for a basic educational opportunity for students. To limit the burden on the individual property taxpayer, the state sets a limit on the mill rates that communities will have to assess their taxpayers for that basic educational opportunity. When the mill rate limits do not raise enough money, the state makes up the difference.

The property tax limitation is a relationship between the state and the individual. The municipal officials are only an intermediary.

The formula does not guarantee state aid to schools or municipalities. It only guarantees that the mill rate taxpayers are assessed to provide students a basic educational opportunity will not exceed the mill rate limits set by the state. In isolated or rapidly growing school units where the state determines that the basic educational opportunity will cost more than the state average, the state provides additional

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* For the purpose of computing state aid, the basic educational opportunity is divided into three components -- general operating costs, program costs and debt service costs. The formula sets a different local mill rate for each of these components.

aid but only in those situations where the municipal tax rate has or would exceed the mill rate limits for the individual taxpayer. The state, therefore, has two concerns:

(1) How much a unit must spend on providing a basic educational opportunity for its students; and
(2) Whether the mill rate assessed individual taxpayers are equalized across all municipalities.

II. MAJOR COMPONENTS OF STATE AID TO SCHOOLS

A. KNOWN COSTS AND PROPERTY VALUES.

In order to predict state expenditures under the school subsidy formula, the state uses the most recent years known expenditure figures (rather than estimated local budgets) to base its calculation of how much local school programs cost and the most recent corrected property valuation figures to calculate the property tax base upon which each school unit's local share will be assessed. Therefore, it collects figures on school expenditures and property values from <u>last year</u> and uses <u>this year</u> to check that they are correct and to calculate the subsidies each unit will receive <u>next year</u>. The result is a two-year lag for both expenditures and assessments of property valuation from the year data are collected until the subsidies are transferred to local units.[*]

B. EQUITY FOR STUDENTS.

In an attempt to insure that students have the same educational opportunities from one school unit to another, the state subsidizes basic educational costs. It divides these costs into three categories:

1. *GENERAL OPERATING COSTS.* These are the total statewide expenditures for education excluding Program and Debt Service costs. They are computed as average, per pupil Elementary and Secondary General Operating Rates. The state subsidizes General Operating costs in each school unit up to a level equal to the per pupil rates times the number of elementary and secondary students in the unit. These rates are computed by taking the total of last year's (base year) statewide expenditures for General Operating costs, updating them for one year's inflation, and dividing by the number of pupils in this calendar year. The rates are then used to compute the subsidizable costs for the unit in the next year (year of allocation).[*]

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[*] In the funding formula this two year cycle is described as

2. *PROGRAM COSTS.* Program costs include special education, vocational education, and transportation services. The state does not want to cap the subsidizable costs in these categories at the same (statewide average) level for each unit, as it does with General Operating costs. The state expects the costs in these categories vary from unit to unit as the need for these programs vary. Each school unit's subsidizable Program costs are based upon what that unit spent on Program cost items last year (base year) and updated for one year's inflation (to estimate prior year costs). Bus purchases are treated slightly differently. They require prior approval by the state and are included in the subsidizable program costs as this year's actual expenditures. This computation of subsidizable program costs (program allocation) is used to determine the unit's subsidy for the next year (year of allocation).

3. *DEBT SERVICE COSTS.* Debt service for school construction projects are the major component of these costs. School units are required to obtain prior approval for all construction projects. A unit's subsidizable debt service costs (debt service allocation) are the projected debt service for the unit for the coming year (year ofb allocation).

C. EQUITY FOR TAXPAYERS.

In an effort to insure that the burden placed on local taxpayers to pay for their schools is equal across all school units, the state sets mill rate limits on a local property taxpayer's share of subsidizable expenditures in each of the three categories above. The state makes up the difference between the amount raised by the mill rate limits in each school unit and the subsidizable costs in those units. The following three mill rate maximums are set each year by the legislature:

1. Operating Cost Millage.
2. Program Millage Limit.
3. Debt Service Millage Limit.

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taking two year old <u>base year costs</u> to adjust them for one year's inflation to bring them up to <u>prior year costs</u>. These propr year costs determin each school unit's <u>allocation</u> or subsidizable costs in the <u>year of allocation</u>.

D. COSTS FUNDED 100% BY THE STATE IN ALL SCHOOL UNITS.

The employer's share of the retirement system costs for those school employees classified by the retirement system as teachers are paid for 100% by the state. These costs are not included in local school unit budgets, nor are they considered part of the state subsidy under the school funding formula. This subsidy for retirement pensions goes to all school units based solely on the salaries paid to teachers. It is not tied to a unit's ability to raise taxes on its state valuation. It amounts to an additional state subsidy for schools equal to about 10% of a school unit's budget or about 20% of all state aid for education.

E. COSTS NOT INCLUDED IN A SCHOOL UNIT'S SUBSIDIZABLE EXPENDITURES IN THE YEAR FUNDS ARE EXPENDED.

Since the definition of subsidizable General Operating and Program costs are based on two-year old (base year) expenditures updated for one year's inflation (to the year prior to the year of allocation), most units will spend money above the subsidizable levels. These fall into the following categories:

1. General Operating costs above the per pupil operating rates:
   a. One-year's inflation. (The expected inflation from this year to when funds are actually expended next year -- to bring estimated prior year costs up to the estimated costs in the year of allocation.)
   b. New or expanded course offerings or service. (These are courses started this year and those planned to be introduced next year.)

2. Program costs:
   a. One year's inflation for special education, vocational education, and transportation operation. (The expected inflation from this year to when funds are actually expended next year -- to bring estimated prior year costs up to the estimated costs in the year of allocation .)
   b. Expanded programs for special education, vocational education, and transportation operation. (Those started this year and those planned to be introduced next year.)
   c. The next year's bus purchases.

F. STATE VALUATION OF PROPERTY.

In order to assure that taxpayers are assessed the same tax rates across the state, the state must also assure that properties are valued consistently from one municipality to another. Since assessment of property values for taxation purposes is a municipal responsibility, the state created a mechanism to adjust local valuations to a more uniform statewide standard.

To accomplish a uniform value for property across all municipalities, the state requires municipalities to conduct revaluations of property when there is a need. In the intervening years, the state makes "ratio studies" comparing the purchase price of recent sales to a municipality's assessed value of property. The state uses the ratio of sale price to assessed value to adjust the overall sum of the property values in a municipality. This adjusted sum also includes any new properties that have been added to the tax roles and is referred to as the community's State Valuation. The process of computing State Valuations takes about two years. The process includes assessing the value of new property added to the tax roles, collecting information on recent sales and conducting the ratio studies, allowing municipal officials an opportunity to comment and hold hearings on the results, and finally officially publishing the new adjusted State Valuations.

III. ISSUES CONCERNING THE FORMULA

ISSUE 1. REIMBURSEMENT.

There is a subtle but significant difference between saying units are reimbursed for past educational expenditures and saying that the formula uses previous years costs to estimate future costs. Reimbursement is used as an argument to gain local support for new or expanded programs. The word reimbursement also leaves the impression that a unit will receive state aid for those expenditures in the future. State aid, however, is based on whether the tax rate assessed on individual taxpayers would exceed the mill rate limits set by the state. If the property tax rates do not reach the mill rate limits there is no additional state aid.

One of the improvements suggested for the formula is shortening the time between the expenditures used to compute the formula and the year subsidies are paid to school units. The concept of reimbursement clouds that issue and tends to direct attention away from this goal.

ISSUE 2. SCHOOL UNIT'S PERCENT OF STATE AID.

There are two problems with comparing the percent of state aid received by one unit with that received by another or with comparing a given unit's current percent of state aid with the percent it received in prior years.

First, the formula is concerned with guaranteeing enough money to provide a basic educational opportunity for all students and with limiting the mill rates assessed taxpayers for those programs. The percent of state aid does not determine the amount of state aid a unit receives. It is a figure calculated after the unit's local share is calculated from the mill rate limits set by the state. One unit may have a smaller percent of state aid than another unit, but the property taxpayers in both units are assessed the same mill rates to provide a basic opportunity to their students. The percentage of state aid a unit receives may also vary from one year to the next, but the taxpayers in the unit do not pay more than the mill rate limits, for the basic opportunity, in either year. Variation in the percent of state aid are a result of two factors -- difference in the number of students or defferences in the sum of the property values in the town.

If, instead of requiring a standard mill rate, every unit is guaranteed a certain minimum percentage state aid (or is guaranteed that the amount of state aid it received will not be less than a percentage of the amount it received in the prior year), then the units receiving the minimum guarantee will not have to raise the full mill rate limit to get state aid. In effect taxpayers in these school units will have a lower mill rate limit to fund the basic educational opportunity in their unit than taxpayers in other units. This lower limit is contrary to the principle of taxpayer equity, and it will typically benefit taxpayers in communities which need the relief least. (See Issue 3 for a further discussion of this point.)

A second problem it that the percent of state aid figure commonly quoted only covers the percent of state aid a unit receives for General Operating costs. The state aid received for Program and Debt Service costs is computed separately. Because the formula guarantees that the percent of state aid for these costs cannot be less than that for General Operating costs and that the total local costs cannot be more than the mill rate limits set for these two categories, the percent of state aid for these two categories is usually higher, and often considerably higher, than that for General Operating costs. A unit may not receive any state aid for General Operating costs, and be referred to as a none receiveing unit, and still receive considerable state aid to cover its Program or Debt Service costs.

School units or municipalities which receive a large amount of state aid do so because they raise very little from the state established mill rate limits for General Operating, Program or Debt Service costs. School units which receive little state aid for General Operating costs raise a considerable number of dollars per pupil from an assessment of the state established mill rate limits on the unit's state property valuation. Hence, they do not require a large amount of state aid to bring them up to the state subsidized per pupil General Operating rates. Units which receive no state subsidy for General Operating costs raise enough money to fund these per pupil General Operating rates at property tax mill rates below the mill rate limits established by the state.

Because the definition of subsidizable General Operating rates and Program costs are based on a previous year's expenditures, units typically have to raise additional money above the state subsidized amounts to fund the school programs they want to provide their students. School units which receive a large amount of state aid have the most difficulty in raising additional money because their tax base is limited. Units which receive little state aid have an easier time. Units which receive no state aid may be able to raise the additional dollars needed and still not come up to the mill rate limits other units have to assess to provide a basic educational opportunity.

Examples. A unit which raises $100 per student for every mill it assesses its taxpayers would receive more state aid than a unit which raises $200 for every mill assessed. A unit which raises $400 per mill would not receive any aid. If each of these units wanted to supplement the basic educational opportunity subsidized under the formula by $200 per student, the high receiving unit would have to raise an additional 2 mills in property taxes, the low state aid unit would need to raise 1 mill, and the non-receiving unit would have to raise 1/2 a mill. In the latter case they would still be under the mill rate limit for General Operating costs set by the state.

In general, the lower the percentage of state aid received by a unit, the lower the additional tax burden per taxpayer for providing additional or expanded programs. The higher the percentage of state aid, the greater the tax burden per taxpayer for additional or expanded programs.

School units which are experiencing a decline in the percent of state aid they receive are moving from being a high receiving unit to a low receiving unit. As their percent of state aid decreases, they have an increasingly easier time each year (imposing a lower additional mill rate, tax burden on their taxpayers) when they want to provide courses or services in addition to the state subsidized basic opportunity.

ISSUE 4. INCREASE IN LOCAL SCHOOL COSTS.

The local school budgets, less any state subsidy, increase for one of three reasons. First, the state adds additional state mandated programs which the local unit has not already instituted on its own initiative.

Second, the school unit decides to increase spending above that needed to provide the state subsidized basic educational opportunity. This decision, while encouraged by the state and educational groups is a local school board and voter decision.

Third, the unit's state valuation of property relative to the number of students in the unit, increases more rapidly than in the average community. In this latter case, the mill rate limit for the basic educational opportunity remains the same as for taxpayers in other communities, the equity for taxpayers is maintained, but the amount of money raised by the mill rate limits increases. As explained under issue 3 above, these taxpayers potentially benefit from a lower tax rate for expenditures above that needed to provide a basic opportunity for students.

The increase in local costs for education indicate a problem with the state's formula for subsidizing education costs only in those cases where the increase in state valuation is primarily due to inflationary increases in the value of residential property. Even in this case, however, it may be a phenomena which primarily affects seasonal homes and have less effect on year-around residents.

Some individuals do have difficulty in finding affordable housing, or keeping their existing house affordable, and this problem may be more acute in certain communities than in others. However, not every property owner in a community finds it difficult to afford or keep up with taxes or other costs of their present residence. Purchasers who are creating the inflationary pressure often consider the price and taxes reasonable compared to the area from which they are moving.

The Maine Constitution requires that all property be "assessed equally." The mill rate limits in the school funding formula, therefore, cannot differentiate between types of properties or the ability to pay of individual property owners. To use the school finance formula to help solve the problem faced by selected groups in a community results in providing the same help to other individuals or groups who do not have the problem. If special assistance is provided only to certain municipalities, then the concen to promote taxpayer equity raises the question as to why taxpayers in one community should be aided more than those in another community. If the goal is to aid low income taxpayers find affordable housing, then there maybe more direct and cost effective methods than adjusting the school subsidy formula.

ISSUE 5. BUDGET PLANNING.

The funding formula's reliance on previous years' education costs and previous years' local property valuations creates several budgetary problems for school units. Taxpayers prefer to avoid dramatic swings in the taxes they pay from one year to the next. However, both the method of determining subsidizable educational costs in the formula and the method of determining a municipality's state valuation may produce dramatic fluctuations.

There are certain aspects of the school budget that can cause the budget to vary dramatically from one year to the next, for example, bus purchases and out of district, special education placements. The unit must pay for these costs for one or two years before they become part of the formula costs. For that one or two year period, the unit must increase taxes. If the increase is for continuing costs, when the unit starts to receive the subsidy, it can lower taxes near the previous level. However, if the expenditure was short term, like a bus purchase, the unit can use the additional state subsidy to lower taxes below pre-increase levels since they have the money but no longer the expense. This can produce continuous up and down swings in local taxes. In the first year the unit raises taxes to purchase a bus. In the second year, it uses the additional state subsidy derived from the bus purchase to lower taxes. In the third year it raises taxes to their original level. In the fourth or fifth year it again raises taxes to purchase a new bus.

A similar problem arises because of the time it takes changes in local property valuations to be included in a unit's state valuation. The first year new property is added to the municipal tax rolls, the local unit derives additional tax revenue from the property but the new valuation is not included in the unit's state valuation which means the unit receives a larger state subsidy based on a smaller state valuation. The same is true for the second year. In the third year, however, the new property is included in the unit's state valuation and can lead to a reduction in the unit's aid for education.

If a unit, assessed its taxpayers at a constant mill rate through the whole period, the tax burden on the residents would not change and the unit would have had additional revenues to make one-time purchases during the two-year transition period. However, if the unit starts new programs which must be continued after the two years are up, it will have to increase taxes in the final and subsequent years. Probably even more problematic is the case where the unit uses the additional money in the two transitional years to lower taxes. In the final year, when the state valuation and subsidy is adjusted, the unit must again increase taxes. In both cases the unit must deal with criticism that the unit gets no benefit from economic development -- only increased taxes.

The major benefit a unit receives from increased state valuation is a larger tax base over which to spread costs above those required for the state subsidized basic educational opportunity. (See Issue 4 above for a discussion of this point.)

ISSUE 6. PROPERTY TAX, ABILITY TO PAY AND WEALTH.

The best thing that can be said about the property tax is that it has been a very productive source of revenue for local government. The size of a community's tax base is a reflection of that community's ability to raise money. The ability of a community to raise money is best held distinct from an individual taxpayer's "ability to pay" and "wealth."

To the individual, property is both a form of wealth and a liability. For those who have held the property for a long period of time, the equity in the property is high and the wealth exceeds the liabilities. Newly purchased property is usually mortgaged, the liabilities are high, and the equity or wealth low. For newly purchased property, the tax liability is a small problem relative to the mortgage payments. The taxes on the purchase price are typically between 8 to 15 mills or from 0.8% to 1.5% of property value. The mortgage is typically from 8% to 15%. Even if the mortgage is only for half the value of the property, the mortgage interest rate would be the equivalent of a mill rate of 40 to 75 mills on the full value of the property. If a purchaser has the income to afford the mortgage, they typically can afford the taxes. The wealth associated with highly mortgaged property is not the nominal owner of the property's wealth but that of a bank or other lender.

On the other hand, an individual who has held the property for a long time may not have the income to afford to purchase or maintain the property at current prices and may even have difficulty paying the taxes on its current value. However, they may have considerable wealth in their property. The question is whether they need some relief from paying their taxes or help in being able to tap into some of the wealth they have in their property to pay their taxes -- and hence not be forced to sell.

ISSUE 7. INCOME AND ABILITY TO PAY.

The school funding formula tries to equalize, across the state, the tax liability of taxpayers for providing a basic educational opportunity for students in their unit by setting limits on the mill rate taxpayers can be assessed to provide this basic opportunity. The dollar amount of an individual's tax depends on the value of his or her property.

The ability of an individual to pay property taxes depends on the individual's income. A concern is often raised that

individuals with low incomes have difficulty paying current or rising property taxes. To address this problem, three options have been proposed.

First, there are circuit breakers or homestead exemption mechanisms which attempt to target relief to residential property owners or even more specifically to low income individuals. These avoid the problem of spreading the tax relief over industrial and commercial as well as residential property and over high income as well as low income residential property owners.

Second, there are proposals to allow individuals to borrow against the current equity in their home to pay current taxes. Since the individual's liability would include both the amount paid out to the individual and the amount needed to pay interest on the total loan (principal received and interest deferred), the total loan liability increases rapidly after a number of years. As a result this type of proposal is more applicable to an elderly individual or to individuals who plan to sell the property within 10 to 20 years.

Third, there are proposals to determine a "community's ability to pay" partially on the average income of the community as compared to other communities and not just on state valuation. If the average income in the community is higher than the average in the state, then the municipality's local share of school expenditures would be increased and the state share decreased. Conversely, if the municipality's average income was lower than the average in the state, the municipal share would be reduced and the state share increased. The municipality's revenue source would still be the property tax. In municipalities with lower than average incomes, the property taxes, or mill rate limits for the basic educational opportunity, would be lowered. In municipalities with higher that average income the mill rate limits would be increased. This adjustment would partially counteract the intent of the funding formula to equalize mill rates for taxpayers across the state.

It would also mean that the amount of taxes an individual paid would be based not only on the value of the property the individual owned but also partly on the average income of individuals in the community. This would be advantageous to a high income individual living in a community with a large number of low income earners. However, it would be detrimental to a low income earner who happened to live in a high income community.

An analogous situation with property taxes would be if an individual's property tax was based on the average value of property in the community. Assessing an individual for the average value of the property in a community would mean individuals with low valued properties would be paying part of the property tax currently paid by owners of expensive

property. The owners of expensive property would have their current tax liability reduced. The the intent behind the taxpayer equalization principle of the funding formula is to avoid unequal taxation of property values.

IV. WHO BENEFITS FROM CHANGES IN THE SCHOOL FUNDING FORMULA

1. INCREASE INFLATION ADJUSTMENT.

The inflation adjustment in the formula now attempts to bring last years expenditures up to an estimate of this year's costs. The size of the inflation adjustment could be increased to reflect more adequately the real size of the increase resulting from inflation and the addition of new programs. It could be further adjusted (by doubling it) to bring costs up to an estimate of next year's costs.

> STUDENT EQUITY: Increasing the inflation adjustment would make more money available for General Operating and Program expenditures and allow those school units which have difficulty raising money above the state subsidized amounts to expand the educational opportunity they provide their students.

> TAXPAYER EQUITY: If additional state aid was provided to cover the cost of the increase, the current mill rate limits for taxpayers would be maintained. However, since the amount available for General Operating and Program expenditures would be increased it would reduce the amount school units needed to spend above the state subsidized amount.

2. INCREASE THE OVERALL PERCENT OF STATE AID

Increasing the overall percentage state share of education costs would add more state dollars into the school funding formula.

> STUDENT EQUITY: It would not increase the amount of money available to fund the basic educational opportunity for all students. It would increase the state share of the subsidized costs as presently defined.

> TAXPAYER EQUITY: It would reduce the mill rate limits assessed taxpayers to fund the basic educational opportunity.

3. GUARANTEED MINIMUM PERCENT OF STATE AID

Guaranteeing a minimum amount of state aid to school units which now receive no state aid, or less aid than the minimum state aid, would target additional state aid on selected school units.

STUDENT EQUITY: It would not change the amount of money available to provide the state subsidized basic educational opportunity for students in selected schools.

TAXPAYER EQUITY: It would reduce the mill rate limits to provide the basic educational opportunity in the school units receiving the guaranteed minimum.

4. AVERAGE INCOME

Using average income of a community to assess a community's ability to raise property tax dollars would be a change from the present reliance on state valuation of property.

STUDENT EQUITY: It would not affect the amount of money available to pay for a basic educational opportunity for students.

TAXPAYER EQUITY: It would reduce the mill rate limits for high and low income property tax payers (including industrial and commercial properties) in municipalities with a low average income but increase the mill rate limits for both high and low income property owners in municipalities with high average incomes.

5. NUMBER OF LOW INCOME STUDENT EQUITY

PERCENT OF STATE AID: *Increasing the percentage of state aid to units with a high percent of low income students would provide a greater state subsidy to certain school units.*

STUDENT EQUITY: It would not increase the subsidized portion of the school budget available for these students or to expand the definition of a basic educational opportunity.

TAXPAYER EQUITY: It would reduce the mill rate limits for all taxpayers in those communities with a high percent of low income students.

NEW CATEGORICAL PROGRAM: *A new categorical program for the additional cost of compensatory services required to provide an equal opportunity for low income students would transfer costs from the General Operating part of the formula to the Program section.*

STUDENT EQUITY: It would increase the resources available to these students in the school units which provide additional help to low income students.

TAXPAYER EQUITY: It would retain the present mill rate limits but reduce the need in school units already providing additional services to these students to spend money above these mill rate limits.

6. HOMESTEAD EXEMPTIONS

Providing a Homestead Exemption (income tax credit) would reduce the tax burden on homeowners (renters).

STUDENT EQUITY: It would not provide additional money or the basic educational opportunity for students.

TAXPAYER EQUITY: It would provide relief to low income property owners. (The degree to which the aid is targeted to low income taxpayers or includes renters would depend on how the exemption or credit was structured.)

7. REDUCING THE MILL RATE LIMITS

Reducing the mill rate limits as suggested in 2 through 5 above would provide tax reductions to all taxpayers in proportion to the value of their property. The dollar value of the reduction would be greater for high valued industrial, commercial or residential property than for low valued property whereas the percentage decrease would be uniform.

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* This could also apply to English as a Second Language (ESL) students.

APPENDIX

B

TABLE : PER PUPIL ELEMENTARY OPERATING COSTS

SCHOOL UNITS	PER PUPIL ELEMENTARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS ELEMENTARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
ROBBINSTON	$1,342	$119,767	64.5	470	$6,657	64.5
ALEXANDER	$1,424	$86,900	86.0	460	$6,491	150.5
SAD #55	$1,506	$122,734	902.5	6560	$7,860	1,053.0
OTIS	$1,569	$303,704	35.0	350	$4,905	1,088.0
MINOT	$1,629	$83,054	222.5	1,530	$9,725	1,310.5
CHINA	$1,630	$107,829	548.5	3,310	$9,083	1,859.0
SAD #23	$1,635	$67,420	476.0	3030	$7,238	2,335.0
GLENBURN	$1,660	$71,235	406.0	2,450	$7,420	2,741.0
JEFFERSON	$1,680	$144,444	284.5	1,860	$8,688	3,025.5
SAD #45	$1,681	$73,150	397.5	2760	$6,682	3,423.0
SAD #70	$1,689	$89,993	513.0	3520	$6,798	3,936.0
WINDSOR	$1,701	$111,048	247.5	1,830	$7,940	4,183.5
SANFORD	$1,701	$129,273	2596.0	19,350	$8,310	6,779.5
NEW SWEDEN	$1,705	$63,259	114.0	730	$7,398	6,893.5
BROOKLINE	$1,722	$440,099	73.0	700	$6,135	6,966.5
ELLSWORTH	$1,727	$152,913	686.0	5,460	$9,174	7,652.5
SABATTUS	$1,727	$65,471	578.5	3,720	$7,310	8,231.0
SOMERVILLE	$1,742	$116,667	59.0	470	$5,322	8,290.0
APPLETON	$1,743	$88,221	146.0	740	$5,748	8,436.0
SAD #46	$1,759	$77,923	929.5	6640	$7,469	9,365.5
EASTPORT	$1,762	$69,790	284.0	1,900	$6,897	9,649.5
SAD #19	$1,767	$89,614	224.5	1900	$7,091	9,874.0
SAD #64	$1,780	$60,947	922.5	5820	$6,763	10,796.5
WHIITEFIELD	$1,786	$83,251	286.0	1,810	$7,291	11,082.5
PERRY	$1,789	$100,000	94.5	770	$6,184	11,177.0
JONESBORO	$1,790	$157,848	74.0	590	$5,937	11,251.0
JONESPORT	$1,790	$94,753	209.0	1,430	$5,301	11,460.0
GREENBUSH	$1,795	$53,731	202.0	1,280	$6,660	11,662.0
SAD #34	$1,802	$114,289	1467.5	10220	$7,159	13,129.5
SAD #4	$1,809	$95,617	716.5	5140	$7,208	13,846.0
SAD #3	$1,814	$93,869	1107.5	7950	$6,199	14,953.5
MACHIAS	$1,834	$104,199	269.0	2,220	$7,449	15,222.5
GOULDSBORO	$1,836	$207,563	197.5	1,710	$7,589	15,420.0
CHARLOTTE	$1,840	$99,324	46.5	320	$6,742	15,466.5
HARMONY	$1,845	$75,942	119.0	810	$5,279	15,585.5
DURHAM	$1,854	$96,521	381.5	2,560	$8,754	15,967.0
WESLEY	$1,860	$201,786	23.5	120	$6,812	15,990.5
SAD #17	$1,863	$131,171	2572.0	18090	$7,904	18,562.5
SAD #37	$1,864	$98,637	692.0	5270	$6,255	19,254.5
WOODLAND	$1,868	$49,180	215.0	1,460	$5,539	19,469.5
SAD #43	$1,868	$83,115	476.0	3920	$8,961	19,945.5
SAD #68	$1,870	$79,003	941.5	6750	$6,940	20,887.0
BRISTOL	$1,876	$394,969	282.0	2,280	$8,526	21,169.0
SAD #54	$1,877	$175,411	2121.0	14550	$7,978	23,290.0
SAD #48	$1,878	$78,359	1528.5	10780	$6,931	24,818.5
DEDHAM	$1,884	$175,114	157.5	900	$8,356	24,976.0
BIDDEFORD	$1,885	$214,441	1612.5	20,700	$8,907	26,588.5
LISBON	$1,895	$98,423	1195.5	9,680	$8,058	27,784.0
ALTON	$1,895	$60,924	81.5	420	$7,242	27,865.5
SAD #47	$1,904	$117,685	1416.0	10050	$9,098	29,281.5
CHELSEA	$1,905	$58,184	342.0	2,700	$7,912	29,623.5

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SAD #38	$1,912	$62,031	293.0	1670	$6,860	29,916.5
SAD #40	$1,914	$135,731	1444.0	11470	$7,318	31,360.5
SAD #21	$1,917	$77,643	516.0	3740	$7,822	31,876.5
MECHANIC FALLS	$1,918	$58,615	418.0	2,530	$8,077	32,294.5
SAD #49	$1,925	$83,822	1894.0	11110	$7,731	34,188.5
SHIRLEY	$1,928	$106,452	53.0	250	$7,924	34,241.5
NOBLEBORO	$1,933	$170,270	186.5	1,380	$7,956	34,428.0
EDGECOMB	$1,934	$247,841	96.0	950	$7,612	34,524.0
ORLAND	$1,942	$118,347	247.5	1,780	$8,753	34,771.5
HANCOOK	$1,943	$178,976	178.5	1,480	$9,346	34,950.0
SAD #29	$1,944	$83,449	1027.5	8480	$7,436	35,977.5
SAD #22	$1,947	$89,197	1430.5	18480	$8,681	37,408.0
SAD #35	$1,951	$153,489	1462.0	10220	$10,846	38,870.0
SAD #58	$1,951	$104,973	633.0	5130	$7,277	39,503.0
SAD #62	$1,951	$116,780	195.5	1370	$9,535	39,698.5
SAD #9	$1,952	$108,434	1986.0	16200	$8,045	41,684.5
SAD #5	$1,957	$165,875	1235.0	10950	$7,985	42,919.5
SAD #14	$1,968	$108,309 --	117.0	890	$6,185	43,036.5
SAD #74	$1,969	$108,879	634.5	4670	$6,760	43,671.0
SAD #63	$1,974	$104,387	620.0	5480	$8,754	44,291.0
SAD #11	$1,977	$81,891	1840.0	16240	$8,356	46,131.0
SAD #15	$1,982	$143,293	1214.5	8960	$8,614	47,345.5
LIMESTONE	$1,985	$20,296	1234.0	8,400	$7,169	48,579.5
SAD #12	$1,988	$103,950	170.5	1240	$8,644	48,750.0
SAD #25	$1,990	$94,092	486.0	3C70	$6,813	49,236.0
SAD #60	$1,996	$138,498	1999.5	12940	$8,794	51,235.5
DRESDEN	$2,003	$107,392	183.0	1,130	$7,737	51,418.5
PEMBROKE	$2,003	$74,923	112.5	950	$6,398	51,531.0
BRADLEY	$2,005	$80,973	158.5	1,140	$9,014	51,689.5
SAD #1	$2,007	$98,405	1899.5	14200	$8,329	53,589.0
OLD TOWN	$2,011	$169,548	948.0	7,990	$8,697	54,537.0
SAD #33	$2,020	$62,412	366.0	2490	$7,882	54,903.0
CARIBOU	$2,039	$84,601	1297.5	9,320	$8,004	56,200.5
SAD #41	$2,045	$81,603	687.0	5020	$7,741	56,887.5
SAD #67	$2,048	$131,375	961.5	6430	$7,795	57,849.0
SAD #57	$2,048	$159,616	1970.0	13040	$8,875	59,819.0
READFIELD	$2,051	$117,994	235.5	2,180	$9,703	60,054.5
SAD #6	$2,052	$119,269	3002.0	20250	$9,191	63,056.5
WINSLOW	$2,060	$166,852	918.0	8,060	$9,525	63,974.5
SACO	$2,063	$194,652	1494.5	14,410	$9,774	65,469.0
BUCKSPORT	$2,063	$277,888	683.0	4,490	$8,653	66,152.0
ARUNDEL	$2,064	$119,762	341.5	2,350	$8,987	66,493.5
POLAND	$2,065	$140,040	527.0	4,090	$8,669	67,020.5
AUBURN	$2,066	$138,818	2927.0	22,870	$9,237	69,947.5
VASSALBORO	$2,067	$99,276	401.5	3,590	$9,081	70,349.0
BAILEYVILLE	$2,067	$340,852	271.0	2,000	$10,159	70,620.0
SCHOODIC CSD	$2,069	$156,487	304.5	2320.00	$6,869	70,924.5
WOOLWICH	$2,070	$145,921	333.0	2,540	$9,964	71,257.5
LITCHFIELD	$2,072	$112,875	344.5	2,220	$8,265	71,602.0
WATERVILLE	$2,075	$169,161	1428.5	16,990	$8,682	73,030.5
SAD #72	$2,077	$221,933	759.5	5870	$9,159	73,790.0

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MONMOUTH	$2,078	$111,330	472.0	3,280	$8,426	74,262.0
SO. AROOS. CSD	$2,087	$87,449	401.5	2940.00	$7,373	74,663.5
SAD #27	$2,087	$71,782	1121.0	7960	$7,719	75,784.5
SAD #31	$2,092	$108,200	579.5	4380	$7,623	76,364.0
SAD #36	$2,092	$112,653	809.0	6040	$5,191	77,173.0
SAD #20	$2,094	$82,404	545.0	4170	$7,151	77,718.0
LINCOLNVILLE	$2,095	$249,383	157.5	1,460	$7,553	77,875.5
DEER ISLE-STON.	$2,096	$251,096	328.0	2,920	$6,675	78,203.5
SAD #77	$2,099	$83,092	464.5	3280	$6,842	78,668.0
LINCOLN PLT.	$2,105	$778,947	8.0	50	$8,379	78,676.0
GR. SLT. BAY CS	$2,105	$215,182	388.5	2960.00	$5,559	79,064.5
LEWISTON	$2,125	$151,670	3674.5	38,980	$8,796	82,739.0
LAMOINE	$2,129	$307,538	131.0	1,220	$8,464	82,870.0
SAD #30	$2,138	$87,173	275.0	2130	$7,009	83,145.0
GRAND ISLE	$2,141	$74,167	79.5	720	$6,366	83,224.5
SAD #16	$2,148	$128,971	544.5	4840	$10,486	83,769.0
SAD #56	$2,148	$125,417	627.5	4460	$7,416	84,396.5
SAD #28	$2,149	$338,427	806.0	7560	$11,198	85,202.5
STEUBEN	$2,153	$94,769	148.0	1,000	$6,107	85,350.5
SAD #59	$2,153	$188,434	817.0	5800	$7,592	86,167.5
PRINCETON	$2,154	$92,818	130.5	990	$7,834	86,298.0
SURRY	$2,157	$246,726	110.0	1,010	$8,837	86,408.0
GORHAM	$2,162	$163,251	1380.0	11,040	$10,158	87,788.0
AUGUSTA	$2,165	$178,687	2000.5	20,640	$9,841	89,788.5
BRIDGEWATER	$2,166	$89,665	85.5	660	$5,901	89,874.0
RICHMOND	$2,175	$88,282	382.5	2,620	$7,781	90,256.5
SAD #39	$2,176	$97,317	383.0	2730	$7,119	90,639.5
PENOBSCOT	$2,177	$135,366	135.0	1,150	$7,766	90,774.5
SAD #42	$2,178	$62,946	359.0	2740	$6,763	91,133.5
DAYTON	$2,179	$136,508	140.0	1,110	$8,594	91,273.5
BAR HARBOR	$2,182	$385,088	415.0	4,120	$9,618	91,688.5
MANCHESTER	$2,184	$144,288	235.0	2,050	$12,015	91,923.5
HOPE	$2,187	$180,496	94.5	860	$7,357	92,018.0
ORRINGTON	$2,187	$116,541	399.0	3,320	$9,766	92,417.0
CALAIS	$2,188	$85,027	492.5	3,650	$8,412	92,909.5
SAD #50	$2,190	$242,371	658.5	6110	$7,730	93,568.0
WINTHROP	$2,203	$123,880	730.5	6,190	$10,517	94,298.5
SAD #44	$2,204	$167,981	687.0	5360	$8,006	94,985.5
EAST RANGE CSD	$2,207	$113,600	44.5	290.00	$7,013	95,030.0
GREENVILLE	$2,207	$133,282	221.0	1,920	$8,233	95,251.0
SAD #26	$2,210	$160,094	76.5	510	$7,053	95,327.5
PALERMO	$2,216	$123,622	120.0	990	$6,984	95,447.5
HERMON	$2,224	$105,878	453.0	3,480	$8,175	95,900.5
WINTER HARBOR	$2,245	$117,327	156.5	1,180	$5,751	96,057.0
WEST BATH	$2,247	$213,654	167.0	1,510	$11,564	96,224.0
MILFORD	$2,247	$93,990	362.0	2,380	$8,605	96,586.0
SAD #52	$2,257	$97,348	1294.5	9150	$8,128	97,880.5
BREWER	$2,257	$140,568	1003.0	8,830	$10,084	98,883.5
ACTON	$2,259	$452,258	162.5	1,550	$10,164	99,046.0
JAY	$2,271	$446,419	727.5	5,440	$9,704	99,773.5
TREMONT	$2,274	$359,380	139.5	1,380	$8,199	99,913.0

TABLE : PER PUPIL ELEMENTARY OPERATING COSTS

SCHOOL UNITS	PER PUPIL ELEMENTARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS ELEMENTARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
SAD #76	$2,274	$429,474	38.0	330	$6,850	99,951.0
WINDHAM	$2,284	$165,666	1555.0	13,020	$9,495	101,506.0
MOUNT VERNON	$2,286	$134,292	129.5	1,080	$8,301	101,635.5
YORK	$2,288	$415,843	1189.5	10,310	$12,530	102,825.0
RUMFORD	$2,294	$389,341	676.5	7,510	$5,748	103,501.5
SEDGWICK	$2,308	$199,336	94.0	810	$6,201	103,595.5
MADAWASKA	$2,316	$228,826	629.5	4,970	$9,670	104,225.0
KITTERY	$2,317	$274,150	977.0	9,580	$12,562	105,202.0
SAD #75	$2,324	$179,643	2054.5	16240	$5,692	107,256.5
SAD #32	$2,327	$111,269	329.5	2840	$8,204	107,586.0
RAYMOND	$2,327	$331,210	391.0	2,670	$11,201	107,977.0
WAYNE	$2,331	$207,410	95.5	840	$13,341	108,072.5
SAD #8	$2,331	$367,287	121.0	1260	$7,220	108,193.5
SAD #61	$2,355	$233,162	1411.5	9640	$8,422	109,605.0
BLUE HILL	$2,359	$289,436	224.5	1,790	$9,447	109,829.5
BATH	$2,364	$222,893	1186.0	10,450	$9,238	111,015.5
STOCKHOLM	$2,365	$79,528	44.5	340	$7,957	111,060.0
WELLS-O6NQT. CS	$2,365	$549,499	979.5	9850.00	$10,407	112,039.5
TRENTON	$2,370	$370,234	99.0	900	$9,116	112,138.5
SAD #71	$2,378	$392,694	1253.0	10580	$13,181	113,391.5
SAD #53	$2,384	$101,896	812.0	5790	$7,488	114,203.5
ORONO	$2,392	$145,124	494.5	9,250	$6,882	114,698.0
GEORGETOWN	$2,394	$460,702	101.5	800	$11,000	114,799.5
MEDWAY	$2,407	$51,512	329.5	1,950	$8,653	115,129.0
VANCEBORO	$2,413	$139,063	23.0	210	$7,427	115,152.0
SAD #51	$2,414	$208,780	1011.5	7670	$14,026	116,163.5
SAD #13	$2,418	$146,402	264.0	1980	$6,524	116,427.5
PERU	$2,451	$137,938	167.5	1,640	$9,291	116,595.0
PORTLAND	$2,461	$346,682	5439.5	62,670	$10,386	122,034.5
BRUNSWICK	$2,471	$196,745	1954.0	17,690	$10,196	123,988.5
BANGOR	$2,474	$188,578	2958.0	30,160	$9,494	126,946.5
FALMOUTH	$2,478	$409,573	708.5	7,430	$15,613	127,655.0
WESTBROOK	$2,486	$273,198	1871.5	15,310	$10,219	129,526.5
RANGELEY	$2,489	$361,538	125.0	1,290	$9,536	129,651.5
SCARBOROUGH	$2,504	$271,311	1309.0	12,330	$12,282	130,960.5
PHIPPSBURG	$2,521	$321,761	185.0	1,720	$7,861	131,145.5
SAD #24	$2,530	$64,224	443.5	3480	$6,538	131,589.0
OLD ORCHARD BCH	$2,541	$298,101	731.5	6,950	$9,504	132,320.5
WALES	$2,543	$85,023	133.5	830	$7,976	132,454.0
CASWELL	$2,556	$56,485	77.5	580	$6,139	132,531.5
BEALS	$2,573	$64,103	92.0	650	$4,298	132,623.5
BOOTHBAY CSD	$2,582	$427,379	533.5	4910.00	$5,551	133,157.0
MARANACOOK CSD	$2,597	$140,993	190.5	6660.00	$10,572	133,347.5
AIRLINE CSD	$2,631	$226,563	42.5	410.00	$7,177	133,390.0
FREEPORT	$2,653	$322,829	701.5	6,440	$11,643	134,091.5
SOUTH PORTLAND	$2,666	$305,329	2273.0	21,620	$10,311	136,364.5
CAPE ELIZABETH	$2,667	$264,069	985.0	8,030	$17,809	137,349.5
BREMEN	$2,681	$386,449	77.5	600	$8,777	137,427.0
EASTON	$2,701	$197,148	188.0	1,230	$7,003	137,615.0
SOUTHWEST HARBO	$2,720	$300,157	215.0	1,850	$9,634	137,830.0
YARMOUTH	$2,724	$377,237	860.5	7,300	$14,597	138,690.5

TABLE : PER PUPIL ELEMENTARY OPERATING COSTS

SCHOOL UNITS	PER PUPIL ELEMENTARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS ELEMENTARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
REED PLT.	$2,736	$86,992	39.5	300	$5,567	138,730.0
MILLINOCKET	$2,758	$223,859	974.0	7,570	$10,504	139,704.0
ISLESBORO	$2,796	$845,205	51.5	590	$7,765	139,755.5
EAST MILLINOCKE	$2,819	$331,293	289.0	2,210	$10,590	140,044.5
SOUTH BRISTOL	$2,869	$825,118	66.5	780	$9,181	140,111.0
CASTINE	$2,928	$424,910	79.0	1,290	$7,855	140,190.0
SOUTHPORT	$2,935	$1,065,000	56.0	600	$10,387	140,246.0
SAD #7	$3,152	$674,400	43.5	360	$7,757	140,289.5
BROOKSVILLE	$3,234	$331,405	76.0	770	$6,882	140,365.5
VEAZIE	$3,374	$164,619	132.5	1,330	$10,685	140,498.0
MOUNT DESERT	$3,381	$695,232	169.0	2,090	$11,850	140,667.0
FRENCHBORO	$3,884	$227,273	7.0	50	$8,456	140,674.0
CRANBERRY ISLES	$3,926	$1,481,579	13.5	190	$6,927	140,687.5
WISCASSET	$3,993	$601,474	443.5	3,210	$7,602	141,131.0
SAD #10	$4,045	$133,077	34.5	390	$6,833	141,165.5
ISLE AU HAUT	$4,152	$757,895	8.5	60	$8,353	141,174.0
MONHEGAN PLT.	$4,299	$856,522	8.5	90	$8,459	141,182.5
SAD #65	$5,989	$438,889	5.5	70	$8,353	141,188.0
PLEASANT RIDGE	$10,104	$862,857	8.0	90	$7,237	141,196.0

TABLE : PER PUPIL ELEMENTARY OPERATING COSTS -- NC SCHOOLS

SCHOOL UNITS	PER PUPIL ELEMENTARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS ELEMENTARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
DALLAS PLT	$1,922	$511,905	10.0	150	$5,595	10.0
KINGSBURY PLT.	$2,570	$1,450,000	2.0	4	$7,514	12.0
GILEAD	$1,894	$99,115	4C.5	220	$5,527	52.5
ORIENT	$1,776	$254,545	26.0	90	$7,556	78.5
NORTHFIELD	$1,883	$507,143	1:.0	80	$6,929	89.5
WESTMANLAND	$2,059	$446,154	5.0	50	$7,556	94.5
ARROWSIC	$2,129	$248,062	5C.5	340	$10,697	145.0
BANCROFT	$3,421	$357,143	4.0	50	$7,556	149.0
UPTON	$1,204	$1,000,000	2.0	70	$8,379	151.0
COPLIN PLT	$1,885	$484,615	8.5	110	$9,171	159.5
WAITE	$2,014	$125,424	21.5	110	$6,942	181.0
MEDDYBEMPS	$2,294	$239,583	16.5	90	$10,511	197.5
DENNISTOWN PLT.	$1,667	$433,333	5.0	30	$7,505	202.5
MAGALLOWAY PLT.	$3,753	$433,333	7.0	60	$8,379	209.5
MEDFORD	$1,603	$98,889	36.0	180	$4,071	245.5
DEB_OIS	$1,650	$535,294	8.0	50	$6,929	253.5
WESTPORT	$1,330	$285,222	70.0	460	$9,519	323.5
BEDDINGTON	$1,537	$491,304	7.5	40	$6,929	331.0
GR. LAKE STR PL	$2,173	$243,939	19.5	180	$7,404	350.5
MADRID	$1,918	$174,138	18.0	170	$8,828	368.5
CENTERVILLE	$1,781	$575,000	3.0	30	$6,929	371.5
MARCHFIELD	$1,811	$78,061	77.5	460	$8,931	449.0
CARROLL PLT	$1,904	$95,699	25.0	150	$4,156	474.0
WHITNEYVILLE	$2,137	$67,424	44.0	280	$6,921	518.0
ROGUE BLUFFS	$1,827	$237,349	33.5	290	$5,086	551.5
WILLIMANTIC	$2,418	$314,583	15.0	160	$5,597	566.5
ROME	$1,888	$300,794	8E.5	630	$7,221	655.0
DENNYSVILLE	$1,711	$80,916	54.0	300	$7,950	709.0
LAKEVILLE	$2,495	$1,500,000	4.5	40	$8,567	713.5
HANOVER	$2,724	$145,570	19.5	260	$8,904	733.0
HERSEY	$1,943	$196,000	9.5	60	$7,556	742.5
MACWAHOC PLT.	$1,626	$180,000	9.0	110	$6,329	751.5
TALMADGE	$2,135	$220,000	8.0	40	$6,929	759.5
CARRABASSETT VA	$1,705	$3,330,380	22.0	140	$14,232	781.5
RANGELEY PLT.	$2,209	$2,028,000	8.0	80	$8,278	789.5
BEAVER COVE	$2,471	$792,308	7.0	70	$7,514	796.5
DREW PLT.	$3,615	$257,895	3.5	70	$8,567	800.0
SANDY RIVER PLT	$3,260	$5,075,000	1.0	60	$8,278	801.0
COOPER	$2,002	$195,918	19.0	90	$8,253	820.0
CRAWFORD	$2,149	$248,148	9.5	110	$6,929	829.5
MARIAVILLE	$1,563	$312,500	21.5	190	$5,841	851.0
GREENFIELD	$1,737	$90,909	46.0	200	$5,948	897.0
SAD #18	$1,685	$88,631	151.0	1070	$7,288	1,048.0
WOODVILLE	$2,367	$115,441	44.5	260	$7,596	1,092.5
NASHVILLE PLT.	$2,006	$1,391,304	8.5	50	$7,556	1,101.0
BARING PLT.	$2,092	$68,103	44.5	250	$9,398	1,145.5
MORO PLT.	$1,913	$472,727	5.5	30	$7,556	1,151.0
ALNA	$1,394	$175,943	75.5	540	$8,523	1,226.5
GLENWOOD PLT.	ERR	ERR	0.0	8	$7,556	1,226.5
BOWERBANK	$1,746	$933,333	9.5	30	$7,514	1,236.0
HIGHLAND PLT.	$1,966	$225,000	10.0	60	$7,505	1,246.0

TABLE : PER PUPIL ELEMENTARY OPERATING COSTS -- NC SCHOOLS

SCHOOL UNITS	PER PUPIL ELEMENTARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS ELEMENTARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
BENEDICTA	ERR	ERR		230	$5,580	1,246.0
NEWCASTLE	ERR	$212,016	0.0	1,240	$9,247	1,246.0
MT. DESERT CSD	ERR	$444,844	0.0	9440.00	$9,908	1,246.0
FLANDERS BAY CS	ERR	$152,051	0.0	6210.00	$6,732	1,246.0
DAMARISCOTTA	ERR	$215,217	0.0	1,720	$9,784	1,246.0
OAK HILL CSD	ERR	$82,355	0.0	6770.00	$7,705	1,246.0
MOOSABEC CSD	ERR	$82,676	0.0	2080.00	$4,988	1,246.0

TABLE : PER PUPIL SECONDARY OPERATING COSTS

SCHOOL UNIT	PER PUPIL SECONDARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS SECONDARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
SAD #49	$2,235	$83,822	903.0	11110	$7,731	903.0
SAD #11	$2,267	$81,891	857.5	16240	$8,356	1,760.5
SAD #3	$2,287	$93,869	499.0	7950	$6,199	2,259.5
SAD #54	$2,290	$175,411	984.0	14550	$7,978	3,243.5
SAD #17	$2,306	$131,171	1104.5	18090	$7,904	4,348.0
SAD #64	$2,306	$60,947	377.0	5820	$6,763	4,725.0
SAD #28	$2,310	$338,427	408.0	7560	$11,198	5,133.0
SAD #48	$2,312	$78,359	708.0	10780	$6,931	5,841.0
SAD #60	$2,324	$138,498	843.5	12940	$8,794	6,684.5
SANFORD	$2,341	$129,273	1078.0	19350	$8,310	7,762.5
SAD #39	$2,344	$97,317	157.5	2730	$7,119	7,920.0
SAD #47	$2,346	$117,685	588.5	10050	$9,098	8,508.5
SAD #52	$2,377	$97,348	591.0	9150	$8,128	9,099.5
AUBURN	$2,385	$138,818	1285.0	22870	$9,237	10,384.5
LEWISTON	$2,387	$151,670	1623.5	38980	$8,796	12,008.0
SAD #40	$2,407	$135,731	648.0	11470	$7,318	12,656.0
SAD #22	$2,412	$89,197	735.5	18480	$8,681	13,391.5
SAD #31	$2,417	$108,200	298.5	4380	$7,623	13,690.0
FLANDERS BAY CS	$2,425	$152,051	362.5	6210	$6,732	14,052.5
BIDDEFORD	$2,428	$214,441	1098.5	20700	$8,907	15,151.0
SAD #57	$2,464	$159,616	840.5	13040	$8,875	15,991.5
MECHANIC FALLS	$2,486	$58,615	159.5	2530	$8,077	16,151.0
SAD #37	$2,490	$98,637	298.5	5270	$6,255	16,449.5
SAD #6	$2,496	$119,269	1277.0	20250	$9,191	17,726.5
HERMON	$2,502	$105,878	236.0	3480	$8,175	17,962.5
SAD #13	$2,544	$146,402	139.0	1980	$6,524	18,101.5
SO. AROOS. CSD	$2,571	$87,449	212.0	2940	$7,373	18,313.5
SAD #1	$2,577	$98,405	796.5	14200	$8,329	19,110.0
BREWER	$2,579	$140,568	476.0	8830	$10,084	19,586.0
CARIBOU	$2,605	$84,601	641.0	9320	$8,004	20,227.0
SAD #4	$2,610	$95,617	333.0	5140	$7,208	20,560.0
SAD #50	$2,621	$242,371	311.5	6110	$7,730	20,871.5
AUGUSTA	$2,638	$178,687	1115.0	20640	$9,841	21,986.5
SAD #29	$2,645	$83,449	489.0	8480	$7,436	22,475.5
SAD #74	$2,673	$108,879	289.0	4670	$6,760	22,764.5
SAD #55	$2,673	$122,734	432.5	6560	$7,860	23,197.0
SAD #27	$2,682	$71,782	518.0	7960	$7,719	23,715.0
SAD #34	$2,695	$114,289	576.0	10220	$7,159	24,291.0
NEWCASTLE	$2,708	$212,016	76.5	1240	$9,247	24,367.5
DEER ISLE-STON.	$2,722	$251,096	174.0	2920	$6,675	24,541.5
SAD #67	$2,727	$131,375	417.0	6430	$7,795	24,958.5
WATERVILLE	$2,728	$169,161	783.0	16990	$8,682	25,741.5
BRIDGEWATER	$2,747	$89,669	35.5	660	$5,901	25,777.0
SAD #51	$2,748	$208,780	583.0	7670	$14,026	26,360.0
SAD #15	$2,751	$143,293	522.5	8960	$8,614	26,882.5
CALAIS	$2,764	$85,027	235.5	3650	$8,412	27,118.0
SAD #42	$2,767	$62,946	201.0	2740	$6,763	27,319.0
SAD #21	$2,767	$77,643	264.5	3740	$7,822	27,583.5
DAMARISCOTTA	$2,772	$215,217	104.0	1720	$9,784	27,687.5
SAD #70	$2,773	$89,993	246.5	3520	$6,798	27,934.0
SAD #12	$2,778	$103,950	70.0	1240	$8,644	28,004.0
SAD #58	$2,783	$104,973	282.0	5130	$7,277	28,286.0

TABLE : PER PUPIL SECONDARY OPERATING COSTS

SCHOOL UNIT	PER PUPIL SECONDARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS SECONDARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
GRAND ISLE	$2,787	$74,167	40.5	720	$6,366	28,326.5
SAD #41	$2,791	$81,603	286.0	5020	$7,741	28,612.5
RICHMOND	$2,812	$88,282	185.0	2620	$7,781	28,797.5
SAD #16	$2,818	$128,971	296.0	4840	$10,486	29,093.5
EASTPORT	$2,825	$69,790	121.5	1900	$6,897	29,215.0
SAD #46	$2,826	$77,923	370.5	6640	$7,469	29,585.5
BRUNSWICK	$2,841	$196,745	903.0	17690	$10,196	30,488.5
SAD #35	$2,872	$153,489	637.5	10220	$10,846	31,126.0
SAD #9	$2,879	$108,434	919.0	16200	$8,045	32,045.0
GORHAM	$2,895	$163,251	567.0	11040	$10,158	32,612.0
MT. DESERT CSD	$2,899	$444,844	499.0	9440	$9,908	33,111.0
WINSLOW	$2,914	$166,852	522.5	8060	$9,525	33,633.5
OAK HILL CSD	$2,914	$82,355	437.0	6770	$7,705	34,070.5
LISBON	$2,921	$98,423	517.0	9680	$8,058	34,587.5
WINTHROP	$2,950	$123,880	352.0	6190	$10,517	34,939.5
SAD #44	$2,952	$167,981	340.5	5360	$8,006	35,280.0
OLD TOWN	$2,968	$169,548	423.0	7990	$8,697	35,703.0
SAD #5	$2,999	$165,875	576.0	10950	$7,985	36,279.0
SAD #32	$3,000	$111,269	198.5	2840	$8,204	36,477.5
SCARBOROUGH	$3,008	$271,311	643.0	12330	$12,282	37,120.5
SAD #71	$3,011	$392,694	649.5	10580	$13,181	37,770.0
SOUTH PORTLAND	$3,019	$305,329	1142.0	21620	$10,311	38,912.0
BATH	$3,023	$222,893	528.5	10450	$9,238	39,440.5
SAD #14	$3,025	$108,309	57.5	890	$6,185	39,498.0
WINDHAM	$3,035	$165,666	709.5	13020	$9,495	40,207.5
SAD #33	$3,049	$62,412	202.0	2490	$7,882	40,409.5
SAD #61	$3,060	$233,162	625.5	9640	$8,422	41,035.0
BANGOR	$3,064	$188,578	1262.0	30160	$9,494	42,297.0
YORK	$3,070	$415,843	581.0	10310	$12,530	42,878.0
SAD #59	$3,082	$188,434	409.0	5600	$7,592	43,287.0
BUCKSPORT	$3,091	$277,888	278.0	4490	$8,653	43,565.0
MONMOUTH	$3,100	$111,330	212.0	3280	$8,426	43,777.0
SAD #75	$3,128	$179,643	971.5	16240	$9,692	44,748.5
ORONO	$3,161	$145,124	274.5	9250	$6,882	45,023.0
SAD #36	$3,181	$112,653	337.0	6040	$9,191	45,360.0
FREEPORT	$3,184	$322,829	306.0	6440	$11,643	45,666.0
SAD #25	$3,195	$94,092	208.0	3070	$6,813	45,874.0
MILLINOCKET	$3,206	$223,859	526.5	7570	$10,504	46,400.5
SAD #24	$3,235	$64,224	252.5	3480	$6,538	46,653.0
GREENVILLE	$3,273	$133,282	102.0	1920	$8,233	46,755.0
ELLSWORTH	$3,326	$152,913	344.0	5460	$9,174	47,099.0
SAD #19	$3,327	$89,614	112.5	1900	$7,091	47,211.5
WELLS-OGNQT. CS	$3,354	$549,499	469.0	9850	$10,407	47,680.5
SAD #45	$3,356	$73,150	183.5	2760	$6,682	47,864.0
SAD #20	$3,371	$82,404	316.0	4170	$7,151	48,180.0
YARMOUTH	$3,375	$377,237	413.5	7300	$14,597	48,593.5
MARANACOOK CSD	$3,389	$140,993	400.0	6660	$10,572	48,993.5
SAD #56	$3,416	$125,417	242.0	4460	$7,416	49,235.5
OLD ORCHARD BCH	$3,425	$298,101	321.5	6550	$9,504	49,557.0
JAY	$3,464	$446,419	361.5	5440	$9,704	49,918.5
WESTBROOK	$3,471	$273,198	841.0	15310	$10,219	50,759.5
MOOSABEC CSD	$3,518	$82,676	115.5	2080	$4,988	50,875.0

TABLE : PER PUPIL SECONDARY OPERATING COSTS

SCHOOL UNIT	PER PUPIL SECONDARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS SECONDARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
KITTERY	$3,527	$274,150	361.5	9580	$12,562	51,236.5
PORTLAND	$3,546	$346,682	2381.5	62670	$10,386	53,618.0
MADAWASKA	$3,710	$228,826	380.0	4570	$9,670	53,998.0
RANGELEY	$3,725	$361,538	57.0	1290	$9,536	54,055.0
BAILEYVILLE	$3,835	$340,852	163.5	2000	$10,159	54,218.5
RUMFORD	$3,854	$389,341	393.0	7510	$9,748	54,611.5
LIMESTONE	$3,910	$20,296	355.0	8400	$7,169	54,966.5
SAD #43	$4,024	$83,115	211.0	3920	$8,961	55,177.5
SAD #E	$4,043	$367,287	67.0	1260	$7,220	55,244.5
MACHIAS	$4,099	$104,199	112.0	2220	$7,449	55,356.5
CAPE ELIZABETH	$4,160	$264,069	529.0	8030	$17,809	55,885.5
BOOTHBAY CSD	$4,237	$427,379	239.0	4910	$9,551	56,124.5
FALMOUTH	$4,358	$409,573	357.0	7430	$15,613	56,481.5
EAST MILLINOCKE	$4,721	$331,293	152.0	2210	$10,590	56,633.5
EASTON	$6,200	$197,148	75.0	1230	$7,003	56,708.5
SAD #7	$6,251	$674,400	19.0	360	$7,757	56,727.5
SAD #10	$6,543	$133,077	30.5	390	$6,833	56,758.0
WISCASSET	$6,754	$601,474	201.0	3210	$7,602	56,959.0
ISLESBORO	$7,236	$845,205	21.5	590	$7,765	56,980.5

TABLE : PER PUPIL SECONDARY OPERATING COSTS -- NO SHCOOLS

SCHOOL UNIT	PER PUPIL SECONDARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS SECONDARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
WOODVILLE	$2,688	$115,441	23.5	260	$7,596	23.5
PLEASANT RIDGE	$2,839	$862,857	9.5	90	$7,237	33.0
AIRLINE CSD	$2,807	$226,563	21.5	410	$7,177	54.5
MARIAVILLE	$2,461	$312,500	6.5	190	$5,841	61.0
PRINCETON	$2,814	$92,818	50.5	990	$7,834	111.5
VANCEBORO	$3,234	$139,063	9.0	210	$7,427	120.5
COOPER	$2,995	$195,918	5.5	90	$8,253	126.0
BROOKSVILLE	$2,549	$331,405	45.0	770	$6,882	171.0
REED PLT.	$2,675	$86,992	22.0	300	$5,567	193.0
DREW PLT.	$2,682	$257,895	6.0	70	$8,567	199.0
SOUTHPORT	$2,821	$1,065,000	34.0	600	$10,387	233.0
RANGELEY PLT.	$3,380	$2,028,000	4.5	80	$8,278	237.5
DAYTON	$2,831	$136,508	80.5	1110	$8,594	318.0
VASSALBORO	$2,515	$99,276	220.0	3590	$9,081	538.0
TALMADGE	$2,782	$220,000	2.0	40	$6,929	540.0
PALERMO	$2,416	$123,622	70.5	990	$6,984	610.5
CRANBERRY ISLES	$2,164	$1,481,579	5.5	190	$6,927	616.0
DALLAS PLT	$2,779	$511,905	11.0	150	$9,595	627.0
ALEXANDER	$2,659	$86,900	28.5	460	$6,491	655.5
HERSEY	$2,480	$196,000	3.0	60	$7,556	658.5
SAD #68	$2,483	$79,003	432.5	6750	$6,940	1,091.0
SAD #65	$2,146	$438,889	3.5	70	$8,353	1,094.5
LINCOLNVILLE	$2,853	$249,383	85.5	1460	$7,553	1,180.0
SOUTH BRISTOL	$2,840	$825,118	39.0	780	$9,181	1,219.0
MONHEGAN PLT.	$5,607	$856,522	3.0	90	$8,459	1,222.0
POLAND	$2,935	$140,040	221.0	4090	$8,669	1,443.0
LAKEVILLE	ERR	$1,500,000	0.0	40	$8,567	1,443.0
ROME	$2,816	$300,794	37.5	630	$7,221	1,480.5
EDGECOMB	$1,785	$247,841	54.5	950	$7,612	1,535.0
ROQUE BLUFFS	$2,875	$237,349	8.0	290	$5,086	1,543.0
CARROLL PLT	$2,681	$95,699	21.5	150	$4,156	1,564.5
WOODLAND	$2,359	$49,180	90.0	1460	$5,539	1,654.5
SAD #26	$2,340	$160,094	30.0	510	$7,053	1,684.5
SACO	$2,698	$194,652	768.0	14410	$9,774	2,452.5
ARROWSIC	$2,978	$248,062	14.0	340	$10,697	2,466.5
MARCHFIELD	$2,790	$78,061	20.5	460	$8,931	2,487.0
SAD #53	$2,615	$101,896	374.5	5790	$7,488	2,861.5
ORRINGTON	$2,643	$116,541	266.0	3320	$9,766	3,127.5
HOPE	$2,253	$180,496	46.5	860	$7,357	3,174.0
SOMERVILLE	$2,435	$116,667	16.0	470	$5,322	3,190.0
GEORGETOWN	$2,365	$460,702	41.0	800	$11,000	3,231.0
VEAZIE	$2,777	$164,619	103.5	1330	$10,685	3,334.5
CRAWFORD	$2,887	$248,148	4.0	110	$6,929	3,338.5
MADRID	$2,269	$174,138	11.0	170	$8,828	3,349.5
SURRY	$2,623	$346,726	58.0	1010	$8,837	3,407.5
ALTON	$2,565	$60,924	37.5	420	$7,242	3,445.0
WEST BATH	$2,272	$213,654	93.0	1510	$11,564	3,538.0
MEDWAY	$2,405	$51,512	133.5	1950	$8,653	3,671.5
GR. SLT. BAY CS	ERR	$215,182	0.0	2960	$9,559	3,671.5
SAD #18	$2,812	$88,631	64.5	1070	$7,288	3,736.0
BEDDINGTON	$2,393	$491,304	4.0	40	$6,929	3,740.0
SANDY RIVER PLT	$4,168	$5,075,000	1.0	60	$8,278	3,741.0

TABLE : PER PUPIL SECONDARY OPERATING COSTS -- NO SHCOOLS

SCHOOL UNIT	PER PUPIL SECONDARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS SECONDARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
SAD #38	$2,476	$62,031	120.5	1670	$6,860	3,861.5
SAD #23	$2,539	$67,420	210.0	3030	$7,238	4,071.5
CHELSEA	$2,213	$58,184	159.0	2700	$7,912	4,230.5
SEDGWICK	$2,693	$199,336	56.5	810	$6,201	4,287.0
TRENTON	$2,343	$370,234	50.5	900	$9,116	4,337.5
ORLAND	$2,724	$118,347	109.5	1780	$8,753	4,447.0
DEBLOIS	$2,732	$535,294	0.5	50	$6,929	4,447.5
ALNA	$1,759	$175,943	30.5	540	$8,523	4,478.0
DEDHAM	$2,659	$175,114	61.5	900	$8,356	4,539.5
MAGALLOWAY PLT.	$3,724	$433,333	3.5	60	$8,379	4,543.0
BRISTOL	$2,568	$394,969	125.5	2280	$8,526	4,668.5
SAD #77	$2,891	$83,092	192.0	3280	$6,842	4,860.5
PENOBSCOT	$2,682	$135,366	70.0	1150	$7,766	4,930.5
BEAVER COVE	$2,859	$792,308	6.0	70	$7,514	4,936.5
RAYMOND	$2,646	$331,210	150.5	2670	$11,201	5,087.0
MEDDYBEMPS	$2,774	$239,583	7.5	90	$10,511	5,094.5
LAMOINE	$2,646	$207,538	68.0	1220	$8,464	5,162.5
GLENWOOD PLT.	ERR	ERR	0.0	8	$7,556	5,162.5
EAST RANGE CSD	$2,794	$113,600	18.0	290	$7,013	5,180.5
COPLIN PLT	$5,612	$484,615	4.5	110	$9,171	5,185.0
WINDSOR	$2,582	$111,048	105.5	1830	$7,940	5,290.5
CARRABASSETT VA	$2,986	$3,330,380	17.5	140	$14,232	5,308.0
PHIPPSBURG	$2,265	$321,761	116.0	1720	$7,861	5,424.0
CASTINE	$2,746	$424,910	59.5	1290	$7,855	5,483.5
MINOT	$2,662	$83,054	75.5	1530	$9,725	5,559.0
BANCROFT	$2,860	$357,143	3.0	50	$7,556	5,562.0
PERRY	$2,817	$100,000	41.5	770	$6,184	5,603.5
BREMEN	$2,067	$386,449	29.5	600	$8,777	5,633.0
BARING PLT.	$2,732	$68,103	13.5	250	$9,398	5,646.5
GREENBUSH	$2,611	$53,731	66.0	1280	$6,660	5,712.5
SAD #76	$3,666	$429,474	9.5	330	$6,850	5,722.0
BLUE HILL	$2,621	$289,436	121.0	1790	$9,447	5,843.0
APPLETON	$2,176	$88,221	62.0	740	$5,748	5,905.0
SAD #30	$2,617	$87,173	107.0	2130	$7,009	6,012.0
JEFFERSON	$2,506	$144,444	116.0	1860	$8,688	6,128.0
CHARLOTTE	$2,876	$99,324	27.5	320	$6,742	6,155.5
ORIENT	$2,937	$254,545	7.0	90	$7,556	6,162.5
HANCOCK	$2,464	$178,976	95.0	1480	$9,346	6,257.5
WOOLWICH	$2,206	$145,921	145.0	2540	$9,964	6,402.5
BRADLEY	$2,565	$80,973	67.5	1140	$9,014	6,470.0
BROOKLINE	$2,793	$440,099	28.0	700	$8,135	6,498.0
CHINA	$2,585	$107,829	211.5	3310	$9,083	6,709.5
LINCOLN PLT.	$1,975	$778,947	1.5	50	$8,379	6,711.0
NEW SWEDEN	$2,414	$63,259	42.5	730	$7,398	6,753.5
ACTON	$2,826	$452,258	70.0	1550	$10,164	6,823.5
ARUNDEL	$2,424	$119,762	162.0	2350	$8,987	6,985.5
JONESBORO	$2,849	$157,848	37.5	590	$5,937	7,023.0
PERU	$2,619	$137,938	89.5	1640	$9,291	7,112.5
SHIRLEY	$3,410	$106,452	9.0	250	$7,924	7,121.5
BOWERBANK	$2,698	$933,333	1.0	30	$7,514	7,122.5
GLENBURN	$2,583	$71,235	185.0	2450	$7,420	7,307.5
MACWAHOC PLT.	$1,709	$180,000	6.0	110	$6,329	7,313.5

TABLE : PER PUPIL SECONDARY OPERATING COSTS -- NO SHCOOLS

SCHOOL UNIT	PER PUPIL SECONDARY	STATE VALUA. PER PUPIL 1986-87	NUMBER OF STUDENTS SECONDARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
WESTMANLAND	$2,597	$446,154	1.5	50	$7,556	7,315.0
NOBLEBORO	$2,498	$170,270	72.5	1380	$7,956	7,387.5
SAD #72	$2,693	$221,933	394.0	5870	$9,159	7,781.5
HARMONY	$2,584	$75,942	53.5	810	$5,279	7,835.0
SAD #63	$2,585	$104,387	314.5	5480	$8,754	8,149.5
OTIS	$2,513	$303,704	19.0	350	$4,905	8,168.5
SAD #62	$2,803	$116,780	99.5	1370	$9,535	8,268.0
PEMBROKE	$2,764	$74,923	49.0	950	$6,398	8,317.0
DURHAM	$2,588	$96,521	179.0	2560	$8,754	8,496.0
FRENCHBORO	$2,698	$227,273	4.0	50	$8,456	8,500.0
STOCKHOLM	$2,514	$79,528	19.0	340	$7,957	8,519.0
ISLE AU HAUT	$2,698	$757,895	1.0	60	$8,353	8,520.0
ROBBINSTON	$2,944	$119,767	21.5	470	$6,657	8,541.5
WHIITEFIELD	$2,140	$83,251	120.0	1810	$7,291	8,661.5
WESLEY	$2,576	$201,786	4.5	120	$6,812	8,666.0
CASWELL	$2,472	$56,485	42.0	580	$6,139	8,708.0
DRESDEN	$1,558	$107,392	60.5	1130	$7,737	8,768.5
NASHVILLE PLT.	$2,779	$1,391,304	3.0	50	$7,556	8,771.5
WHITNEYVILLE	$2,747	$67,424	22.0	280	$6,921	8,793.5
GREENFIELD	$2,815	$90,909	9.0	200	$5,948	8,802.5
WILLIMANTIC	$2,920	$314,583	9.0	160	$5,597	8,811.5
MORO PLT.	ERR	$472,727	0.0	30	$7,556	8,811.5
DENNYSVILLE	$2,613	$80,916	11.5	300	$7,950	8,823.0
HIGHLAND PLT.	$2,090	$225,000	4.0	60	$7,505	8,827.0
HANOVER	$2,732	$145,570	20.0	260	$8,904	8,847.0
KINGSBURY PLT.	ERR	$1,450,000	0.0	4	$7,514	8,847.0
GILEAD	$2,706	$99,115	16.0	220	$5,527	8,863.0
NORTHFIELD	$2,957	$507,143	3.0	80	$6,929	8,866.0
MILFORD	$2,699	$93,990	145.5	2380	$8,605	9,011.5
UPTON	$2,446	$1,000,000	3.0	70	$8,379	9,014.5
WAITE	$2,665	$125,424	8.0	110	$6,942	9,022.5
DENNISTOWN PLT.	$468	$433,333	1.0	30	$7,505	9,023.5
MEDFORD	$2,268	$98,889	9.0	180	$4,071	9,032.5
WESTPORT	$1,377	$285,222	31.5	460	$9,519	9,064.0
GR. LAKE STR PL	$2,765	$243,939	13.5	180	$7,404	9,077.5
CENTERVILLE	$2,662	$575,000	1.0	30	$6,929	9,078.5
TREMONT	ERR	$359,380	0.0	1380	$8,199	9,078.5
BAR HARBOR	ERR	$385,088	0.0	4120	$9,618	9,078.5
MOUNT VERNON	ERR	$134,292	0.0	1080	$8,301	9,078.5
SABATTUS	ERR	$65,471	0.0	3720	$7,310	9,078.5
WALES	ERR	$85,023	0.0	830	$7,976	9,078.5
LITCHFIELD	ERR	$112,875	0.0	2220	$8,265	9,078.5
WAYNE	ERR	$207,410	0.0	840	$13,341	9,078.5
JONESPORT	ERR	$94,753	0.0	1430	$5,301	9,078.5
SOUTHWEST HARBO	ERR	$300,157	0.0	1850	$9,634	9,078.5
GOULDSBORO	ERR	$207,563	0.0	1710	$7,589	9,078.5
BENEDICTA	ERR	ERR		230	$5,580	9,078.5
WINTER HARBOR	ERR	$117,327	0.0	1180	$5,751	9,078.5
SCHOODIC CSD	ERR	$156,487	0.0	2320	$6,869	9,078.5
STEUBEN	ERR	$94,769	0.0	1000	$6,107	9,078.5
MOUNT DESERT	ERR	$695,232	0.0	2090	$11,850	9,078.5
MANCHESTER	ERR	$144,288	0.0	2050	$12,015	9,078.5

TABLE : PER PUPIL SECONDARY OPERATING COSTS -- NO SHCOOLS

SCHOOL UNIT	PER PUPIL SECONDARY	STATE VALUA. PER PUPIL 1986-87	NUMEER OF STUDENTS SECONDARY	POPULATION 1986	PER CAPITA INCOME 1985	CUMULATIVE NUMBER OF PUPILS
BEA_S	ERR	$64,103	0.0	650	$4,298	9,078.5
READFIELD	ERR	$117,994	0.0	2180	$9,703	9,078.5

APPENDIX

C

SCHOOL FINANCE IN MAINE 1974-1986

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In 1974 the Maine Legislature enacted into law Legislative Document 1994 (L.D. 1994), a major school reform bill, the intent of which was to reduce the burden of education costs in the public schools which were borne by the local property tax from an average of about 70% to 40% and to provide 60% from state broad-based tax sources. The intent was to implement the program over a 3-year period beginning with a 50% local and 50% state sharing for the 1974-75 fiscal year. The local share (50% the first year) was to be financed through a uniform property tax (UPT) applied to all administrative units alike. (Maine Department of Educational and Cultural Services, 1978). The Legislature failed to implement the second (45% local and 55% state) and third (40% local and 60% state) years of the "phase in", and the 50% local/50% state sharing remained in effect until 1978.

The Legislature set the 1974-75 uniform property tax rate at 14 mills on the 1975 state valuation of each municipality. This tax was assessed by the state tax assessor and was payable to the state treasurer on a monthly basis. The state, in turn, paid to each administrative unit 100% of a computed "state-local allocation" (MDECS, 1978). This "state-local allocation" included a) elementary and secondary operating costs, b) special education costs—for local programs and for out-of-district tuition placement costs, c) vocational education costs, d) transportation costs—both for operational costs and for approved bus purchases, e) capital outlay and debt service costs, and f) other special grants.

From July 1, 1976, through June 30, 1978, only those units whose allocations were less than their uniform property tax actually paid tax money (the excess collection) to the state treasurer. Units whose allocations were more than their uniform property tax were required to collect the tax and make 1/12th of the tax money available each month for school purposes. At the same time, each month the Maine Department of Educational and Cultural Services forwarded to each unit 1/12th of the amount by which the unit's allocation exceeded its uniform property tax, with some adjustment in this distribution to meet the unit's debt service payment schedule (MDECS, 1978).

During the period July 1, 1974, through June 30, 1978, the time that the Uniform Property Tax was in effect, about 10% of Maine's towns and cities (particularly coastal communities, communities with lakeshore property, and communities with high valuation and low numbers of pupils) were required to raise more money under this tax than they were allocated to run their schools under the school finance act. Consequently, these communities were required to "pay in" the excess taxes raised to the state treasury where these monies were, in turn, redistributed to other administrative units in the state.

Dissatisfaction with the Uniform Property Tax, particularly in the so-called "pay-in-communities" led to an initiated petition drive calling for repeal of the tax. The petition drive was successful in obtaining the number of signatures required to force the Legislature to either repeal the tax or put the question out to public referendum. The Legislature chose the latter course, and the repeal question was put to the voters in the fall of 1977. The voters of the state approved the repeal question quite handily, and the tax was repealed effective June 30, 1978.

During the legislative session of 1978, the Legislature enacted the School Finance Act of 1978. This law retained most of the features of the previous law (particularly the allocation features), except that a new concept, the "subsidy index" replaced the repealed uniform property tax. The subsidy index was sometimes referred to as a "voluntary tax." It was defined in law as follows: "Subsidy index shall mean the equivalent of a mill rate which, if applied to the state valuation of all municipalities. . . would raise not more than 50% of the basic education allocation. This index shall not be levied but shall be used for the purpose of computing alloctions." (It was used solely to determine the amount of state aid, if any, that each administrative unit would receive.) The decision as to whether or not a unit would actually raise the amount of the subsidy index was made by the local legislative body (e.g., the voters in town meeting, the city or town council, or the voters at the annual district budget meeting in school administrative districts [SADs] and community school districts [CSDs]), hence the "voluntary tax" concept.

L.D. 1994, as enacted in 1974, was designed to consider one-year old costs for all programs. This required the use of six months of known costs (July-December) and six months of estimated costs (January-June). This use of estimates led to a series of so-called "deficits" in state funding which Governor James Longley found unacceptable. As a consequence, the finance law was amended so that the "last known costs" would be used by the Legislature when it established the allocation amounts and determined the subsidy index. Due to the time schedule required for legislative action, the use of the "last known costs" necessitated using a) two-year-old actual cost figures for special education, vocational education and transportation operating costs; b) two-year-old average per pupil costs updated by a one-year inflation factor for the elementary and secondary operating costs program; c) one-year-old actual costs for computing bus purchase costs and for non-construction debt service costs (e.g., approved leases and "insured value factor" payments for students attending approved private schools on a locally-approved tuition payment basis); and d) current year principal and interest payments as the basis for calculating debt service costs for approved school construction projects (MSMA.,1981). The use of the "last known costs" as indicated remain in effect even today in the School Finance of 1985.

From the time that L.D. 1994 took effect on July 1, 1974, until July 1, 1985, when the School Finance Act of 1985 became effective, an equalized "local leeway" provision was included in the finance law. This allowed local voters to raise an additional amount of money per pupil over and above the amount of the state-local allocation. A specified amount of money per pupil was guaranteed if the local voters

agreed to raise a specified number of mills on the municipality's current state valuation. If the specified mill rate did not generate the amount of guaranteed money per pupil, the state provided the difference. The amount of money per pupil that was guaranteed and the necessary mill rate to be raised varied from year to year, depending upon the actions of the legislature. During the first year or so that the law was in effect, the "local leeway" provision also included a "pay in" feature. If a unit voted to raise "local leeway" and the mill rate raised more money than the guaranteed amount per pupil specified in law, the unit was required to "pay in" the excess amount to the state treasurer. Needless to say, voters were very reluctant to to raise "local leeway" if it meant sending local tax money to the state. As a consequence, the "pay in" feature of the law was repealed about a year or so after L.D. 1994 became effective. The <u>School Finance Act of 1985</u> does not include a "local leeway" provision.

Advantages

The Maine school finance law, as originally enacted and as amended by the <u>School Finance Act of 1978</u>, generally has been perceived as having many advantages including, but not limited to, the following:

1. The consolidation of all education program costs into a single package allowed decision-makers at both the state and local levels to see the total cost of education in relation to its program parts and to view the funding of public education as a state and local partnership effort.

2. The clearly-stated legislative intent to provide at least 50% of defined education costs from state tax revenues resulted in a commitment, in practice, which helped cement the state and local funding partnership.

3. The formula had an upward equalization factor for units that were, for whatever reason, spending below the base rates for elementary and secondary program costs and treated all units alike by including the costs of categorical programs (special education, vocational education transportation, debt service and capital outlay) in the unit's state-local allocation whether such programs were optional or required.

4. Programs of supplementary adjustments were included to address problems experienced by small and/or geographically isolated units and by units which encounter sharp increases or decreases in enrollments.

5. The formula utilized the most current data--both expenditures and pupil counts--available at the time that legislative funding decisions were made.

6. The allocation system contained no duplication of local expenditures in the reimbursement cycle.

7. No penalties were imposed on a local unit if it decided to raise less than the amount of the "voluntary subsidy index" computation; unless, in so doing, the unit was unable to provide state-mandated programs (Maine School Management Association, 1981).

Disadvantages

Some of the perceived disadvantages of the School Finance Act of 1978 were:

1. The two-year time lag which occurred between the time that local expenditures were made in three categorical program areas (special education, vocational education and transportation operations) and the year in which such expenditures were reflected in the allocation formula caused considerable concern, particularly since state and federal mandates in the area of special education required the initiation and/or expansion of such services. As mentioned earlier, the use of two-year-old costs was dictated largely by the need for known spending information at the time of legislative funding decisions.

2. In addition to the time lag concern described above, the use of two-year-old costs as the basis for arriving at the updated base rates which were used to arrive at elementary and secondary cost allocations proved to be somewhat unresponsive to unforeseeable inflationary factors (e.g., the rapid increase in energy costs in the mid 1970s), even though inflation indices were used in arriving at these updated base rates.

3. The use of equalized state valuation figures as the basis for computing the local allocation share of education funding annually pointed out perceived imperfections in that index and its reliance on the ratio of local property sale prices to the corresponding local assessed valuation for such parcels of property. These state valuation increases generally were greater among the smaller municipalities causing some dislocation of local cost sharing among the member towns in districts.

4. During most of the years that the Uniform Property Tax was in effect, a statutory ceiling was placed on local appropriations beyond the level of local leeway funding. That ceiling was removed in 1978; but, at the same time, the law was amended to exclude local appropriations "above leeway" from being included in the computation of the state average per pupil costs for elementary and secondary pupils. The effect of this exclusion was a "dampening" of the actual per pupil costs in relation to the legislatively-established base rates.

5. The manner in which categorical program expenditures were identified in the allocation computation (i.e., 100% of base year costs for special education) caused some people to refer to such programs as being 100% state-funded. This interpretation ignored the fact that the subsidy index was adjusted annually to a rate that computationally produced nearly 50% of all program costs that comprised the total allocation.

6. Because of its inclusion of all basic education costs and numerous program adjustments based on a multitude of definitions and differing reference years, the law was often criticized for its complexity. This complexity was, in large part, necessary because of the diverse educational and geographic conditions which exist in Maine and because of the law's substantial commitment to equity (Maine School Management Association, 1981).

The School Finance Act of 1985

In September 1984 the Legislature met in special session to consider the recommendations of the Governor's Commission on Excellence in Education. Legislation enacted during the special session included the School Finance Act of 1985, which became effective on July 1, 1985.

The SFA of 1985 is essentially a refinement and improvement of the SFA of 1978. It eliminates several of the perceived problems associated with the SFA of 1978 (see the Disadvantages described above and on the previous page). The major changes included in the SFA of 1985 are as follows:

1. The two-year time lag between the time of local expenditures for special education, vocational education and transportation operations (now collectively called "program costs") and their inclusion in the allocation formula has been minimized by updating these two-year-old costs by a percentage factor, as has been the case with elementary and secondary operating costs since L.D. 1994 became effective in 1974.

2. The "local leeway" provision that was included in the SFA of 1978 and its predecessor(s) was eliminated.

3. The inclusion of the actual elementary and secondary operating costs in the state average per pupil operating costs has had the effect of increasing the state average per pupil costs substantially. Under the SFA of 1978, about $100 per pupil was excluded from the 1984-85 state average secondary per pupil cost, due to the fact that the law excluded local operating funds raised "above leeway." A slightly lesser amount was excluded from the state average elementary per pupil operating costs. No operating costs are excluded under the SFA of 1985.

4. The use of three millage indices for determining the local share of costs, rather than the single millage "subsidy index". The three indices include: an operating cost millage, a program millage limit and a debt service millage limit. The local share of program costs is equal to a percent of the total program costs (the same percent as the local share of operating costs) or the program millage limit multiplied by the unit's state valuation, whichever is less. The local share of debt service costs is equal to a percent of the total debt service costs (the same percent as the local share of operating costs) or the debt service millage limit multiplied by the unit's state valuation, whichever is less. Under the SFA of 1978 and its predecessor(s), every administrative unit in the state contributed to the funding of debt service, regardless of whether or not the unit had any debt. Under the SFA of 1985, if a unit has no debt, it does not raise any funds for debt service. This method of determining the local share of program costs and debt service costs supposedly eliminiates the possibility of a unit claiming that it is receiving 100% state reimbursement for anything. However, once the millage limit is reached for either program costs or debt service costs, it has the effect of providing 100% state reimbursement for any additional expenditures made for that purpose.

5. Under the SFA of 1978, an administrative unit received the state's share of the state-local allocation, even if the unit did not raise all of its local share. Under the SFA of 1985, if a unit does not raise its maximum local share of operating costs, the state's share is reduced by the same proportion as the reduction in the local share.

6. One of the major changes in the SFA of 1985 concerns units whose per pupil costs are below the state average. In the past, the operating cost allocation for such units was determined by using the unit's actual per pupil costs for the base year, as adjusted, plus 1/3rd of the difference between the unit's actual per pupil cost as adjusted and the state average per pupil cost, as adjusted. Under the SFA of 1985, these units will receive the state average per pupil cost, as adjusted. This has the effect of providing more state aid for such units.

7. Units whose per pupil costs are above the state average per pupil costs will continue to have only the state average per pupil cost included in their allocation. However, there is a new provision in the SFA of 1985 which provides for a "quality incentive adjustment" for those units whose per pupil operating costs in the base year are above the per pupil operating rate in the year of allocation (state average per pupil cost, as adjusted). "Quality" apparently exists if a unit is spending

above the state average per pupil costs. The formula
for determining the amount of this "incentive adjustment"
is quite complex, and the amount of money which a unit
might receive isn't very large due to the formula. The
"quality incentive adjustment" per pupil shall be:

> 1/2 the amount by which the unit's per pupil oper-
> ating costs in the base year exceeds the foundation
> per pupil operating rate in the year of allocation
> (the difference cannnot exceed 20% of the foundation
> per pupil operating rate) multiplied by the same
> percent as the state's share of the operating cost
> allocation.

8. The intent of the SFA of 1985 is to provide "at least
    55% of the total cost of the total allocation from
    general fund revenues or a percentage no less than that
    provided in the year prior to the year of allocation,
    whichever is greater." This has the effect of increasing
    the state's share of elementary and secondary education
    somewhat, since the former percent was about 53.97% and,
    of course, some of the changes listed have added to the
    total cost of the total allocation.

Except for the changes noted, the School Finance Act of 1985
retains all or nearly all of the other features of the School Finance
Act of 1978, including provisions for unusual enrollment increases,
small unit subsidy adjustments, geographical isolation and deduction
of funds received from the federal government under P.L. 874 (the
impact aid law).

References

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"The Maine School Finance Experience" (mimeographed). Augusta,
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Maine: Maine Department of Educational and Cultural Services,
1984 (also 1985 amendments thereto).

APPENDIX

PRINCIPAL FEATURES OF THE MAINE SCHOOL FINANCE ACT OF 1985

1. Legislative Intent: The School Finance Act of 1985 states that it is the intent of the Legislature...

    a. to provide at least 55% of the cost of the total allocation (operating cost allocation + program cost allocation + debt service cost allocation) from General Fund revenue sources or a percentage no less than that provided in the year prior to the year of allocation, whichever is greater.

    b. that the actual operating costs and program costs (special education + vocational education + transportation operations), as annually established by the Legislature shall be an amount sufficient to meet the level of the costs in the year prior to the year of allocation.

This legislative intent is translated into practice by taking the operating and program costs of the base year (two years prior to the year of allocation) and adjusting them by a percentage factor to make them supposedly equal to "...the level of costs in the year prior to the year of allocation." In practice, the adjusted costs never equal the actual costs of the year prior to the year of allocation.

The actual costs of approved bus purchases made in the year prior to the year of allocation are considered part of "program costs". The actual bus purchase costs are not adjusted, since they are one year old costs.

2. Subsidy Indices. The Legislature annually establishes three subsidy indices. "Subsidy indices" are the equivalent of mill rates which, if applied to the state valuation of all municipalities, would raise not more than 45% of the total allocation (see 1a above) and would establish the operating cost millage, the program millage limit and the debt service millage limit. The mill rates established are not actually levied as taxes; they are used only to determine the local and state shares of the unit's operating, program and debt service allocations.

3. Operating Cost Millage. The operating cost millage is established annually by the Legislature based on recommendations made by the Commissioner of the Maine Department of Educational and Cultural Services and the Governor. It is determined by taking 45% of the total allocation for all units and dividing that figure by the total state valuation of all municipalities.

4. Program Millage Limit. The program millage limit is determined by dividing 40% of the total program costs of all units, as adjusted, by the state valuation of all municipalities. It should be noted that while the Legislature's intent is to fund 55% of the total allocation from General Fund revenues, the SFA provides that 60% of the total program costs is to be funded from General Fund revenues.

5. Debt Service Millage. The debt service millage is deter-
mined by dividing 45% of the total debt service costs of all units by
the state valuation of all municipalities.

6. Foundation Allocation. The term "foundation allocation"
means the total of actual local operating costs and actual local pro-
gram costs of the base year adjusted to the equivalent of the year
prior to the year of allocation. The foundation allocation plus the
debt service allocation makes up the total allocation.

7. Funding Timetable. The implementation of the SFA of 1985,
as was the case with its predecessors, basically involves five steps.

Step 1 - Prior to December 1st of each year, the commissioner
must notify the Legislature and the Bureau of the Budget of the
total actual education costs of the base year.

Step 2 - Prior to December 15th of each year, the commissioner,
with the approval of the State Board of Education, must certify
to the Governor and the Bureau of the Budget the funding levels
which are recommended for the next fiscal year (July 1-June 30).

Step 3 - Prior to April 15th of each year, the Legislature is
required to enact legislation which shall:

    1. Establish the foundation per pupil operating rate
    and the elementary (K-8) and secondary (9-12) per pupil
    operating rates that will be used in computing unit
    operating allocations for the year of allocation.

    2. Establish an operating cost millage, a program
    millage limit and a debt service millage limit.

    3. Appropriate the necessary funds to meet the maxi-
    mum state obligation for the state's share of the foun-
    dation allocation and the debt service allocation.

    4. Appropriate the required funds for adjustments due
    to geographic isolation, unusual enrollment increases
    and to small school administrative units which qualify.

    5. Appropriate the necesary funds for quality incen-
    tive adjustments for school administrative units which
    qualify.

    6. Appropriate the necessary funds for special educa-
    tion pupils placed directly by the state.

    7. Appropriate the necessary funds for audit adjust-
    ments.

    8. Appropriate the necessary funds for reimbursement
    to municipalities for non-public school services.

Step 4 - Following action by the Legislature (Step 3), the commissioner computes the maximum state-local allocations (operating allocation, program allocation and debt service allocation) for each administrative unit and the local and state shares of these allocations. The local and state shares of these allocations are determined as follows:

1. Allocation for Operating Costs: The local share of the allocation for operating costs is the product of the operating cost millage established by the Legislature and the unit's state valuation. The local share for each unit of member municipality within a school administrative district or community school district cannot exceed the total operating allocation of each municipality. The local share percentage is the proportion that the local share is to the maximum operating cost allocation; it is determined by dividing the local share of the allocation (in dollars) for operating costs by the total allocation (in dollars) for operating costs.

2. Allocation for Program Costs: The local share of the allocation for program costs is the actual program costs in the base year adjusted plus bus purchase costs in the year prior to the year of allocation multiplied by the local share percentage for operating costs or the program millage limit established by the Legislature times the state valuation of the municipalities in the administrative unit, whichever is less.

3. Allocation for Debt Service Costs: The local share of the allocation for debt service costs is the product of the debt service allocation multiplied by the local share percentage determined for operating costs or the debt service millage limit established by the Legislature times the state valuation of the municipalities in the administrative unit, whichever is less.

4. State Share of Allocations: The state share of the allocations for operating costs, program costs and debt service costs is the difference between the local share of these allocations and the total operating cost allocation, program cost allocation and debt service cost allocation.

The state share of the foundation allocation (operating allocation + program cost allocation) for each administrative unit is limited to the same proportion of the maximum allocation as the local administrative unit raises of its maximum local share of the foundation allocation. This is a so-called "penalty provision." This means that if an administrative unit does not raise its total local share of the foundation allocation, the state share of that allocation will be reduced proportionately (e.g., if the unit raises only 85% of its maximum local share, it will receive only 85% of the maximum state share).

In addition to their foundation and debt service allocations, some administrative units qualify for "adjustments" to their foundation allocations. In order to qualify for an adjustment, an administrative unit must have raised the maximum amount of its local share of the foundation allocation for operating costs. The "adjustments" available include the following:

1. Quality Incentive Adjustments: A unit qualifies for a quality incentive adjustment if its per pupil operating costs in the base year exceed the foundation per pupil operating rate in the year of allocation by 20% or less. The adjustment is 1/2 of the difference between the unit's operating costs in the base year and the operating allocation in the year of allocation multiplied by the state share percentage of the allocation for operating costs.

2. Geographic Isolation: The commissioner, with the approval of the State Board of Education, determines geographic isolation if a school administrative unit operates a school which is located an unreasonably long distance from another school facility in another unit or is situated in a location which has unique problems in transporting students to another administrative unit.

If a school administrative unit is declared to be geographically isolated, the commissioner adjusts the operating allocation to meet the educational needs of that unit. The adjustment cannot exceed the amounts expended by the school administrative unit in the base year which were in excess of the operating allocation in the year of allocation. The funds for this adjustment are limited to the amount appropriated by the legislature for this purpose.

3. Unusual Enrollment Increase: A school administrative unit qualifies for an unsusual enrollment increase when the increase in pupils between October 1st of the year of allocation of funds and October 1st of the year prior to the year of allocation of funds is 3% or more. The allowable adjustment is determined by multiplying the number of pupils in excess of a 3% increase by the established foundation per pupil operating rate.

4. Small Administrative Unit Subsidy Adjustment: A small administrative unit may qualify for one of the following small unit subsidy adjustments.

   a. If the unit operated an elementary school with 25 pupils or less in kindergarten to grade 8 during the school year immediately prior to the year of allocation, it is eligible to receive a minimum allocation for operating costs equal to 5/3 of the state average elementary teachers salary in the school year immediately prior to the year of allocation as determined by the commissioner.

b. If the unit is not operating an elementary school or a secondary school and has 25 pupils or less in kindergarten to grade 8 during the school year immediately prior to the year of allocation, it is eligible to receive a minimum allocation computed by multiplying the elementary or secondary pupil enrollment on October 1st in the year prior to the year of allocation by the foundation per pupil operating rate or the actual cost of tuition payment in the year of allocation, whichever is less.

The small unit subsidy adjustment guarantees a minimum subsidy adjustment for operating costs to those administrative units which qualify, and it is only made after the adjustments in numbers 1-3 above have been made.

5. Pupils on Federal Land: A school administrative unit which enrolls eligible pupils under U.S. Public Law 81-874 counts those pupils as resident pupils for purposes of the SFA of 1985.

The state share of the foundation allocation of the administrative unit is adjusted by subtracting the receipts under P.L. 874 in the same proportion that total local revenues under the state equalization program are to total local revenues for education in that unit.

The amount subtracted may not exceed 90% of the school unit's entitlement for the year prior to the year of allocation or the year of allocation, whichever is less.

6. Special Education Adjustment: If a school administrative unit petitions the commissioner and demonstrates that the unexpected costs of placement for educational purposes of a student in a special educational program will cause a budgetary hardship, the commissioner may adjust the unit's state subsidy to include an amount not to exceed the state share of the educational cost of the placement under rules adopted or amended by the commissioner. Funds for such adjustments are limited to the amount appropriated by the Legislature for this purpose.

7. Audit Adjustments: If errors are revealed by audit and by the commissioner, the school administrative unit's foundation allocation is adjusted to include corrections.

Step 5 - Prior to April 21st of each year, the commissioner must notify each school board of the amount allocated to the school administrative unit. State subsidy payments are made directly to the treasurer of each school administrative unit. Payment of 1/12th of the state share of the unit's foundation allocation is mailed to the unit treasurer each month. The state share of each

unit's debt service payments are paid to the unit during the month prior to the month in which the unit must make a debt service payment.

8. Nonpublic School Service Reimbursements: The following provisions apply to nonpublic school service reimbursements.

a. State municipal law permits (but does not require) municipalities to provide certain services (textbooks; physician, nursing, dental and optometric services; transportation and standardized tests/scoring services) to students attending nonpublic schools. To be eligible for state reimbursement, these services must be authorized by vote of the legislative body of the municipality.

b. If students attend nonpublic schools that are not operated for profit in whole or in part, the commissioner is required to reimburse municipalities 50% of the expenditures of the base year for providing services to those nonpublic school students.

c. The total amount reimbursed under this section of the law is limited to the level of funds appropriated by the Legislature for this purpose.

9. Repeal of Local Leeway Provision: The SFA of 1985 repealed the state supported "local leeway" provision that was a part of the Maine SFA since it was originally enacted in 1974.

10. Grandfather Clause: The SFA of 1985 provides that, for the 1985-86 and 1986-87 years only, the commissioner is required to pay local educational units the 1984-85 state subsidy or the 1985-86 or 1986-87 state allocation respectively, whichever is greater. Due to the fact that a number of administrative units receive less money under the SFA of 1985 than they did under the SFA of 1978, this "grandfather clause" was included in the law in order to gain enough legislative votes to enact the SFA of 1985.

11. Additional Local Appropriations: A school administrative unit may raise and expend funds for educational purposes in addition to the funds raised under the foundation allocation and debt service allocation. Such funds are not state supported in any way. Any and all such funds raised and expended are included in the computation of both the unit's per pupil costs and the state average per pupil costs Under the SFA of 1978, if a unit raised optional local appropriations without state participation said funds were included in the computation of the unit's per pupil costs, but they were not included in the computation of the state average per pupil costs. This resulted in computed state average per pupil costs which were considerably lower than the actual per pupil costs. Under the SFA of 1985, all funds expended for operating costs are included in both the unit's per pupil costs and in the state average per pupil costs.

APPENDIX

D

HISTORY OF MILLS RAISED FOR EDUCATION
AND PER PUPIL VALUATION
BY COUNTY

CTY CODE	UNIT	Mills FY 81	Mills FY 87	Mills FY 88	Mills FY 89	Per Pupil Valuation FY 89
1	AUBURN	9.88	10.84	11.08	10.30	138,653.07
1	DURHAM	12.59	13.47	11.18	12.24	93,923.61
1	LEWISTON	9.38	9.87	9.85	9.41	152,360.64
1	LISBON	9.51	10.83	13.60	11.00	98,108.27
1	MECHANIC FALLS	10.41	13.07	13.19	12.09	57,034.54
1	MINOT	9.79	8.31	9.01	9.63	82,362.73
1	POLAND	11.86	12.34	12.73	11.55	140,227.58
1	SAD #36 LIVERMORE FALLS	10.45	13.64	11.71	11.89	113,544.42
1	SAD #52 TURNER	11.63	13.56	13.58	13.35	96,503.68
	Androscoggin Average	10.61	11.77	11.77	11.27	108,079.84
2	BANCROFT	5.94	7.98	12.86	14.82	384,615.38
2	BRIDGEWATER	11.46	11.77	11.87	12.79	90,416.67
2	CARIBOU	10.92	9.86	9.86	9.56	86,956.52
2	CASWELL	10.45	8.39	8.33	9.40	56,722.69
2	EASTON	19.39	14.23	17.68	17.43	196,774.19
2	GRAND ISLE	13.60	12.94	10.04	12.28	80,909.09
2	HERSEY	9.25	7.15	9.03	8.57	196,000.00
2	LIMESTONE	9.25	8.90	8.98	8.70	20,124.80
2	MADAWASKA	13.54	12.23	11.78	10.90	233,805.67
2	MORO PLT.	7.14	5.67	6.86	6.38	520,000.00
2	NEW SWEDEN	10.45	11.32	10.28	9.87	64,285.71
2	ORIENT	10.78	10.52	8.81	9.50	247,058.82
2	REED PLT.	11.17	12.35	11.19	10.63	87,704.92
2	SAD #1 PRESQUE ISLE	9.65	8.74	10.76	9.77	99,307.51
2	SAD #10 ALLAGASH	12.39	10.05	10.10	9.26	131,060.61
2	SAD #20 FORT FAIRFIELD	11.42	14.76	16.58	16.15	83,716.81
2	SAD #24 VAN BUREN	13.59	12.94	14.03	16.99	64,642.08
2	SAD #25 SHERMAN	11.22	16.93	15.82	14.86	93,956.83
2	SAD #27 FORT KENT	9.75	10.45	10.84	10.62	73,165.42
2	SAD #29 HOULTON	10.15	9.92	9.67	9.22	83,863.49
2	SAD #32 ASHLAND	12.23	11.92	14.32	15.09	111,163.67
2	SAD #33 ST. AGATHA	14.21	12.33	11.59	16.97	62,854.61
2	SAD #42 MARS HILL	11.46	11.77	12.46	12.66	63,800.90
2	SAD #45 WASHBURN	10.45	8.77	8.85	8.88	75,757.58
2	SAD #70 HODGDON	10.11	9.97	11.95	12.02	91,315.97
2	SO. AROOSTOOK CSD-DYER BROOK	12.87	11.42	11.34	11.83	87,449.06
2	STOCKHOLM	12.36	8.66	8.58	8.69	79,527.56
2	WESTMANLAND	7.00	5.74	5.82	7.59	322,222.22
2	WOODLAND	10.45	12.11	10.40	10.93	52,724.08
	Aroostook Average	11.13	10.68	11.06	11.46	132,479.41
3	BRUNSWICK	13.82	12.46	12.64	12.15	193,460.68
3	CAPE ELIZABETH	15.16	15.13	15.09	13.54	260,032.52
3	FALMOUTH	14.45	12.50	13.43	11.89	413,062.00
3	FREEPORT	11.84	13.95	12.38	11.87	319,656.02
3	GORHAM	10.69	14.68	14.59	13.40	161,796.89
3	PORTLAND	13.80	12.80	13.06	11.76	349,722.69
3	RAYMOND	11.60	11.53	12.13	11.76	322,571.94
3	SAD #15 GRAY	13.01	13.35	12.87	11.04	141,742.60
3	SAD #51 CUMBERLAND	14.11	12.74	12.65	11.38	205,050.82

HISTORY OF MILLS RAISED FOR EDUCATION
AND PER PUPIL VALUATION
BY COUNTY

CTY CODE	UNIT	Mills FY 81	Mills FY 87	Mills FY 88	Mills FY 89	Per Pupil Valuation FY 89
3	SAD #61 BRIDGETON	11.44	12.83	12.42	12.14	229,499.88
3	SAD #62 POWNAL	12.80	14.10	13.55	12.20	117,176.87
3	SCARBOROUGH	12.34	12.30	12.49	11.36	273,483.09
3	SOUTH PORTLAND	12.80	11.79	13.90	12.22	308,080.96
3	WESTBROOK	14.61	12.72	12.48	11.78	271,000.18
3	WINDHAM	12.37	13.40	14.48	13.39	166,548.28
3	YARMOUTH	11.61	11.26	11.20	11.66	367,571.70
	Cumberland Average	12.90	12.97	13.09	12.10	256,278.57
4	COPLIN PLT.	8.00	8.84	7.30	4.87	525,000.00
4	DALLAS PLT.	8.44	9.18	6.98	7.63	651,515.15
4	JAY	7.63	6.47	7.36	7.97	443,567.52
4	MADRID	9.25	10.53	8.36	8.74	165,573.77
4	RANGELEY	9.25	10.20	10.35	11.56	363,535.91
4	SAD #58 KINGFIELD	11.05	11.97	11.96	14.00	104,858.08
4	SAD #9 FARMINGTON	12.09	10.59	10.19	9.95	107,747.56
	Franklin Average	9.39	9.68	8.93	9.25	337,399.71
5	AIRLINE CSD-AURORA	12.67	10.83	10.60	9.93	210,144.93
5	BLUE HILL	9.55	11.71	11.48	11.02	274,725.27
5	BROOKLIN	9.86	6.21	8.54	9.08	440,099.01
5	BROOKSVILLE	8.75	13.49	13.54	11.69	341,276.60
5	BUCKSPORT	10.19	10.86	10.47	10.37	274,601.54
5	CASTINE	8.55	10.17	9.42	9.46	429,562.04
5	CRANBERRY ISLES	4.89	3.62	3.56	3.25	1,481,578.95
5	DEDHAM	10.48	11.49	10.73	9.39	172,359.55
5	DEER ISLE-STONINGTON CSD	12.62	10.36	11.73	10.94	250,347.57
5	ELLSWORTH	10.26	9.69	10.20	9.56	153,359.30
5	FRENCHBORO	7.44	9.68	10.67	7.21	208,333.33
5	HANCOCK	8.98	9.73	10.38	9.20	176,079.14
5	LAMOINE	9.73	9.97	11.59	9.78	197,136.04
5	MARIAVILLE	10.00	9.05	10.63	9.58	261,194.03
5	ORLAND	11.38	12.28	11.65	10.60	114,189.19
5	OTIS	7.46	9.86	8.72	9.12	290,265.49
5	PENOBSCOT	11.68	13.77	13.67	10.49	134,708.74
5	SAD #26 EASTBROOK	9.21	8.24	10.35	12.22	152,914.80
5	SAD #76 SWAN'S ISLAND	8.84	8.96	8.08	8.21	377,777.78
5	SEDGWICK	11.35	12.91	11.99	8.62	198,675.50
5	SURRY	10.55	10.93	10.22	9.96	252,743.90
5	TRENTON	11.15	10.09	11.89	11.01	369,000.00
	Hancock Average	9.80	10.18	10.46	9.58	307,321.49
6	AUGUSTA	10.12	10.16	11.75	11.59	179,493.79
6	CHELSEA	9.91	11.74	12.17	11.80	57,952.29
6	CHINA	10.64	10.41	10.87	9.38	103,931.52

CTY CODE	UNIT	Mills FY 81	Mills FY 87	Mills FY 88	Mills FY 89	Per Pupil Valuation FY 89
6	MONMOUTH	13.50	14.05	13.43	13.55	109,410.92
6	ROME	8.37	10.12	9.68	8.31	287,121.21
6	SAD #11 GARDINER	10.31	9.23	10.69	9.15	81,108.87
6	SAD #16 HALLOWELL	10.45	11.82	12.85	11.88	129,510.16
6	SAD #47 OAKLAND	10.45	9.29	9.77	9.56	116,378.89
6	VASSALBORO	12.46	12.67	10.97	9.99	98,326.69
6	WATERVILLE	9.65	10.50	10.18	9.24	168,970.19
6	WINDSOR	9.77	8.85	9.33	10.30	110,734.46
6	WINSLOW	10.45	10.62	10.48	10.00	165,758.62
6	WINTHROP	13.18	13.48	13.01	13.11	123,367.07
	Kennebec Average	10.71	10.99	11.17	10.60	133,235.74
7	APPLETON	10.45	10.07	11.51	9.32	91,067.00
7	HOPE	10.93	9.29	9.66	10.20	189,219.33
7	ISLE AU HAUT	7.39	7.56	8.12	7.16	720,000.00
7	SAD #28 CAMDEN	11.53	9.86	10.14	9.77	331,330.65
7	SAD #5 ROCKLAND	13.12	9.62	10.42	11.72	169,001.41
7	SAD #50 THOMASTON	11.34	10.83	10.28	11.14	241,996.91
7	SAD #65 MATINICUS ISLE	7.81	5.86	3.32	4.47	464,705.88
7	SAD #7 NORTH HAVEN	11.22	8.52	9.04	9.97	679,838.71
7	SAD #8 VINALHAVEN	11.04	11.58	10.91	9.34	382,548.48
	Knox Average	10.54	9.24	9.27	9.23	363,300.93
8	ALNA	11.69	6.69	6.08	5.26	186,500.00
8	BOOTHBAY-BOOTHBAY HBR CSD	11.97	11.09	11.20	10.45	431,005.22
8	BREMEN	9.59	10.94	10.71	10.23	367,555.56
8	BRISTOL	9.15	8.74	9.16	9.68	399,379.65
8	DRESDEN	11.70	8.67	8.61	8.44	102,348.34
8	EDGECOMB	11.27	9.54	7.41	7.94	249,498.33
8	JEFFERSON	9.96	10.18	10.44	9.76	143,016.07
8	MONHEGAN PLT.	11.64	6.47	6.45	6.03	985,000.00
8	NOBLEBORO	11.69	9.66	8.59	10.44	175,000.00
8	SAD #40 WALDOBORO	11.22	9.90	10.84	10.19	133,686.44
8	SOMERVILLE	9.09	8.66	9.24	9.93	108,024.69
8	SOUTH BRISTOL	7.59	6.37	5.25	5.49	794,977.17
8	SOUTHPORT	3.08	4.55	3.96	3.74	1,059,116.02
8	WESTPORT	4.87	7.46	8.20	5.36	289,500.00
8	WHITEFIELD	9.25	9.74	9.34	8.54	80,764.64
8	WISCASSET	6.88	9.41	11.24	10.98	580,314.37
	Lincoln Average	9.41	8.63	8.55	8.28	380,355.41
9	GILEAD	14.42	11.21	10.72	8.01	96,551.72
9	HANOVER	14.53	10.06	8.37	5.35	133,720.93
9	MAGALLOWAY PLT.	13.46	8.95	8.16	9.72	535,294.12
9	PERU	13.27	12.53	11.56	10.06	130,811.81

HISTORY OF MILLS RAISED FOR EDUCATION
AND PER PUPIL VALUATION
BY COUNTY

CTY CODE	UNIT	Mills FY 81	Mills FY 87	Mills FY 88	Mills FY 89	Per Pupil Valuation FY 89
9	RUMFORD	14.58	9.99	9.64	10.60	388,251.75
9	SAD #17 NORWAY	10.21	10.56	10.25	10.21	130,584.89
9	SAD #21 DIXFIELD	12.65	12.41	12.08	11.34	76,515.15
9	SAD #39 BUCKFIELD	10.45	12.05	13.51	14.25	95,723.38
9	SAD #43 MEXICO	12.29	11.78	12.68	17.00	84,592.59
9	SAD #44 BETHEL	13.64	12.43	12.17	12.07	168,144.18
9	SAD #55 PORTER	10.45	9.22	9.14	9.30	124,411.54
9	SAD #72 FRYEBURG	12.00	11.45	12.12	11.58	215,578.95
	Oxford Average	12.66	11.05	10.87	10.79	181,681.75
10	ALTON	12.20	13.69	14.19	11.53	58,943.09
10	BANGOR	12.26	13.72	12.73	12.21	186,130.28
10	BRADLEY	10.16	12.13	11.61	11.27	86,524.82
10	BREWER	12.45	12.10	12.01	12.83	138,646.22
10	CARROLL PLT.	13.22	9.22	8.81	5.92	100,000.00
10	DREW PLT.	4.69	9.05	8.20	6.26	233,333.33
10	EAST MILLINOCKET	13.20	12.83	12.35	12.09	333,181.30
10	GLENBURN	13.54	10.03	9.77	9.58	69,439.87
10	GREENBUSH	13.82	14.32	8.46	7.83	54,135.34
10	GREENFIELD	9.25	12.11	8.24	8.26	89,285.71
10	HERMON	13.24	10.99	10.42	10.93	103,182.46
10	MEDWAY	21.91	17.59	16.42	17.69	51,567.57
10	MILFORD	12.29	13.80	14.01	11.50	91,030.53
10	MILLINOCKET	12.39	12.84	12.15	11.44	227,651.64
10	OLD TOWN	11.77	9.92	9.75	9.47	170,919.12
10	ORONO	12.96	13.74	14.35	13.62	141,355.29
10	ORRINGTON	11.00	10.75	9.98	8.93	117,069.49
10	SAD #22 HAMPDEN	11.74	11.09	11.95	10.79	87,738.42
10	SAD #23 CARMEL	10.45	8.47	8.33	8.57	66,403.45
10	SAD #30 LEE	14.50	10.72	11.23	12.07	85,935.48
10	SAD #31 HOWLAND	10.43	9.79	9.81	8.94	107,832.01
10	SAD #38 DIXMONT	10.45	8.37	8.50	8.84	60,000.00
10	SAD #46 DEXTER	10.45	8.71	10.24	9.42	77,983.06
10	SAD #48 NEWPORT	10.25	10.59	11.02	9.84	77,716.19
10	SAD #63 EDDINGTON	10.45	9.71	9.82	8.52	104,053.33
10	SAD #64 CORINTH	12.54	10.00	10.04	9.89	60,159.51
10	SAD #67 LINCOLN	11.58	10.74	10.94	10.79	130,758.12
10	VEAZIE	12.35	13.01	12.54	13.72	164,270.61
10	WOODVILLE	16.18	8.89	10.74	12.17	115,441.18
	Penobscot Average	12.13	11.34	10.99	10.51	116,920.26
11	GREENVILLE	15.16	14.43	15.48	15.83	138,424.44
11	KINGSBURY PLT.	4.38	3.38	4.03	5.26	1,450,000.00
11	MEDFORD	10.45	8.23	8.03	8.31	103,488.37
11	SAD #4 GUILFORD	10.45	9.40	10.28	11.07	96,722.89
11	SAD #41 MILO	10.34	11.29	12.01	11.24	81,144.61
11	SAD #68 DOVER-FOXCROFT	10.45	10.69	10.90	12.01	78,206.05

HISTORY OF MILLS RAISED FOR EDUCATION
AND PER PUPIL VALUATION
BY COUNTY

CTY CODE	UNIT	Mills FY 81	Mills FY 87	Mills FY 88	Mills FY 89	Per Pupil Valuation FY 89
11	SHIRLEY	15.16	11.23	8.90	11.69	110,000.00
11	WILLIMANTIC	10.11	9.56	9.86	8.87	321,276.60
	Piscataquis Average	10.81	9.78	9.94	10.54	297,407.87
12	ARROWSIC	8.80	9.31	12.52	9.59	222,222.22
12	BATH	12.14	11.67	12.18	11.62	222,244.84
12	GEORGETOWN	7.29	8.39	8.59	7.69	457,491.29
12	PHIPPSBURG	10.21	10.58	11.99	10.22	306,487.34
12	RICHMOND	12.46	14.99	14.96	14.49	89,225.29
12	SAD #75 TOPSHAM	13.77	14.61	14.53	13.74	178,200.30
12	WEST BATH	11.03	11.07	10.90	9.97	212,428.30
12	WOOLWICH	12.55	10.43	10.66	9.07	143,223.82
	Sagadahoc Average	11.03	11.38	12.04	10.80	228,940.42
13	DENNISTOWN PLT.	13.88	2.59	7.63	10.00	346,666.67
13	HARMONY	11.66	11.30	10.51	10.84	78,208.96
13	PLEASANT RIDGE PLT.	10.27	8.67	8.39	8.26	862,857.14
13	SAD #12 JACKMAN	14.49	12.48	10.72	12.26	110,864.75
13	SAD #13 BINGHAM	11.82	11.40	9.72	9.46	144,607.84
13	SAD #49 FAIRFIELD	9.37	10.21	11.20	10.28	84,349.70
13	SAD #53 PITTSFIELD	11.98	12.71	12.60	14.34	100,834.03
13	SAD #54 SKOWHEGAN	11.47	10.57	10.86	9.55	174,903.66
13	SAD #59 MADISON	11.99	11.52	12.08	12.03	184,963.64
13	SAD #74 ANSON	11.44	12.73	12.36	11.66	108,351.29
	Somerset Average	11.84	10.42	10.61	10.87	219,660.77
14	ISLESBORO	7.74	7.80	7.56	7.48	862,937.06
14	LINCOLNVILLE	10.62	11.33	8.83	9.56	244,848.48
14	PALERMO	10.23	9.31	9.55	10.00	129,041.10
14	SAD #18 PROSPECT	13.26	10.07	10.67	8.54	87,015.95
14	SAD #3 THORNDIKE	11.06	8.95	9.08	9.24	91,283.29
14	SAD #34 BELFAST	10.43	11.00	11.05	11.52	114,233.31
14	SAD #56 SEARSPORT	14.41	13.87	13.87	12.63	122,116.46
	Waldo Average	11.11	10.33	10.09	9.85	235,925.09
15	ALEXANDER	13.32	9.09	9.01	9.12	86,521.74
15	BAILEYVILLE	11.02	10.04	10.41	12.48	346,432.75
15	BARING PLT.	10.55	11.56	17.29	7.97	61,718.75
15	BEDDINGTON	4.77	7.40	6.57	5.94	513,636.36
15	CALAIS	11.85	12.77	12.28	12.50	86,877.19
15	CENTERVILLE	10.62	5.85	5.72	7.13	460,000.00
15	CHARLOTTE	9.25	15.47	15.23	10.96	102,797.20
15	COOPER	11.87	7.47	10.97	8.51	204,255.32

HISTORY OF MILLS RAISED FOR EDUCATION
AND PER PUPIL VALUATION
BY COUNTY

CTY CODE	UNIT	Mills FY 81	Mills FY 87	Mills FY 88	Mills FY 89	Per Pupil Valuation FY 89
15	CRAWFORD	6.09	5.41	9.27	7.94	239,285.71
15	DEBLOIS	5.00	7.19	6.70	9.36	455,000.00
15	DENNYSVILLE	11.98	9.87	9.32	8.62	80,916.03
15	EAST RANGE II CSD-TOPSFIELD	17.64	13.03	12.93	17.48	115,447.15
15	EASTPORT	9.97	10.63	10.93	10.86	71,645.57
15	GR. LAKE STREAM PLT.	11.31	8.96	11.60	9.40	240,298.51
15	JONESBORO	13.18	10.65	11.96	9.20	162,211.98
15	MACHIAS	14.37	12.77	13.25	14.81	105,725.70
15	MARSHFIELD	9.70	10.87	9.44	7.56	79,687.50
15	MEDDYBEMPS	9.25	10.57	10.08	9.85	261,363.64
15	NORTHFIELD	6.58	4.56	6.97	9.35	591,666.67
15	PEMBROKE	.. 13.90	12.57	12.51	12.11	76,100.63
15	PERRY	10.05	8.08	8.73	8.90	100,000.00
15	PRINCETON	10.45	11.04	10.74	10.70	91,056.91
15	ROBBINSTON	13.15	10.17	9.12	8.84	122,619.05
15	ROCQUE BLUFFS	12.53	9.02	8.58	8.89	234,523.81
15	SAD #14 DANFORTH	14.09	11.23	8.71	13.01	111,834.32
15	SAD #19 LUBEC	12.52	13.42	16.95	14.68	91,376.70
15	SAD #37 MILBRIDGE	10.15	9.09	8.97	9.51	98,339.20
15	SAD #77 EAST MACHIAS	11.54	13.63	14.32	14.22	81,600.60
15	TALMADGE	8.38	7.57	8.15	6.83	220,000.00
15	VANCEBORO	25.22	7.66	11.15	25.58	134,848.48
15	WAITE	13.98	9.64	12.87	12.26	123,333.33
15	WESLEY	8.82	9.98	8.80	11.68	209,259.26
15	WHITNEYVILLE	11.83	7.95	13.22	7.66	66,917.29
	Washington Average	11.36	9.85	10.69	10.73	182,645.37
16	ACTON	7.79	9.19	10.20	9.47	422,289.16
16	ARUNDEL	10.45	10.66	12.57	13.68	116,973.81
16	BIDDEFORD	9.53	9.97	10.23	9.23	213,692.34
16	DAYTON	10.67	13.26	14.60	12.34	135,280.90
16	KITTERY	11.73	13.50	12.53	11.41	277,781.98
16	OLD ORCHARD BEACH	12.73	12.96	13.08	12.11	286,797.62
16	SACO	10.30	11.99	11.83	11.71	190,525.63
16	SAD #35 ELIOT	11.23	13.07	11.40	9.93	148,297.28
16	SAD #57 WATERBORO	11.75	10.83	12.02	11.38	158,768.36
16	SAD #6 BUXTON	11.24	13.31	11.38	11.32	117,389.30
16	SAD #60 BERWICK	12.17	11.06	11.42	12.48	137,242.94
16	SAD #71 KENNEBUNK	13.10	10.60	10.90	10.50	393,210.53
16	SANFORD	10.61	9.03	9.89	9.53	127,349.51
16	WELLS-OGUNQUIT CSD	11.87	9.78	9.91	8.61	519,268.88
16	YORK	9.88	11.36	11.28	9.30	408,120.84
	York Average	11.00	11.37	11.55	10.87	243,532.61
	STATEWIDE AVERAGE	11.45	11.31	11.55	11.01	

APPENDIX

E

Legislative Document   No.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY NINE

Resolve, to Establish a Commission to Study Problems with the
Municipal Assessment and Collection of Property Taxes .

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

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

Whereas, it is necessary for the commission to start its
work by July 15; and

Whereas, this is before the date non-emergency bills become
law: and

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

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

Sec. 1. Commission Created. Resolved: That the Commission
to Study Problems with the Municipal Assessment and Collection
of Property Taxes be created.

Sec. 2. Commission Charged. Resolved: That the commission
shall study taxpayers general dissatisfaction with property
taxes with the aim of finding the reasons for property
taxpayers frustrations and the causes of local anti-property
tax pressures. Specifically, the commission shall:

1. Examine the problems, if any, preventing municipalities from adopting the State of Maine Assessment Manual. The commission shall investigate ways of encouraging municipalities which do not presently use the manual to adopt the manual for their assessment of property.

2. Examine the method municipalities use to collect property taxes and to explore whether alternative methods, such as quarterly or more often payment schedules, would be more acceptable to taxpayers.

3. Study whether the State payment to low income and elderly taxpayers under the tax circuit breaker programs could be credited to the property taxes to be paid rather than made as direct payments to the taxpayer. The commission should assess whether this would make a clearer connection between the circuit breaker and the property tax and give town officials some recognition that property taxes have been reduced.

4. Study whether the inequities in the assessment of residential property within a municipality and between residential and other types of property within a municipality can be reduced. For assessments to be equitable, each individual property should be assessed at the same percent of full value.

Sec. 3. Appointment. Resolved: That the Commission shall consist of 10 members, appointed in the following manner: Two members of the House of Representatives appointed by the Speaker of the House; two members of the Senate appointed by the President of the Senate; and one town manager, one representative of the Maine Municipal Association, three councilors or selectpersons appointed jointly by the Speaker of the House and the President of the Senate and the Director of the Property Tax Division. The commission members shall select a chair at their first meeting.

Sec. 4. Convening of Commission. Resolved: that when the appointment of all commission members is completed, the Chair of the Legislative Council shall call the first meeting. The first meeting shall be called on or before August 1, 1989.

Sec. 4. Report. Resolved: That the Commission shall present its findings, together with any recommended legislation to the Second Session of the 114th Legislature by November 15, 1989.

Sec. 5. Assistance. Resolved: That, if staff assistance is desired, assistance shall be requested from the Legislative Council.

Sec. 6. Compensation. Resolved: The members of the Commission who are legislators shall receive the legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, for each day's attendance

at Commission meetings. All members of the commission shall receive reimbursement for expenses upon application to the Executive Director of the Legislative Council.

Sec. 7. Appropriation. Resolved: That the following funds are appropriated from the General Fund to carry out the purposes of this resolve.

                                          1989-90

LEGISLATURE_

        Personal Services $1320

        All Other $4700

        Provides funds for per diems, travel for all members and related expenses of the commission.

LEGISLATURE
TOTAL $6020

FINANCE, DEPARTMENT OF

Bureau of Taxation

        All other $175,000

        Provides funds for computer software and contract services to up date the State of Maine Assessment Manual.

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

                      STATEMENT OF FACT

This resolve establishes a commission to study local property tax assessment and collection practices. The general intent is to study taxpayers general dissatisfaction with property taxes with the aim of finding the reasons for property taxpayers frustrations and the causes of local anti-property tax pressures.

Legislative Document   No.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY NINE

AN ACT to Provide for State Payment of Excessive Costs of
Out-of-District Placements

Be it enacted by the People of the State of Maine as follows:
...
Sec. 1. 20-A MRSA §15612, sub-§6 is amended as follows:

6.   Special educational adjustment; guidelines; limits;
local authorization.   The following provisions apply to special
educational adjustment, guidelines, limits and location
authorization.

A.   If a school administrative unit petitions the
commissioner and demonstrates that the unexpected costs of
placement for educational purposes of a student in a
special educational program will cause a budgetary
hardship, the commissioner may adjust the unit's state
share of state subsidy to include an amount not to exceed
the educational cost of the placement under rules adopted
or amended by the commissioner.

B.   The funds for the adjustment shall be limited to the
amount appropriated by the Legislature for that purpose.
Unexpended funds may be used to fund the out-of-district
placement provisions under sub-§11.

C.   School boards may expend the funds allocated without
seeking approval from their legislative bodies.

Sec. 2. 20-A MRSA §15612, sub-§10 as enacted by PL 1987, c.
850, §4 and amended by PL 1987, c. 861, §16 is repealed:

Sec. 3. 20-A MRSA §15612, sub-§11 is enacted to read:

11. Special education tuition and cost for out-of-district placement adjustment. A school unit which places a student in an out-of-district placement shall receive an adjustment as follows:_

    A. The adjustment shall be equal to an amount they would have received if, in the year of allocation, the state added to the unit's program allocation an amount, if any, by which the tuition, treatment, and room and board costs for an approved out-of-district special education placement exceeds 3 times the secondary foundation per pupil operating rate, or a prorated amount if the placement is less than a full year.

    B.The funds for the adjustment shall be limited to the amount appropriated by the Legislature for that purpose.

    C. It is the intent of the Legislature to provide 100% of the cost of this section from General Fund Revenue sources.

Sec. 4. Transition.

    For the school years 1989-90 and 1990-91 the following provision shall apply. If out-of-district expenses exist for a student in a unit in the base year, the state shall add to the unit's program allocation the lesser of the amount calculated under Sec. 3 or the amount, if any, by which the tuition, treatment, and room and board costs for an approved out-of-district special education placement exceeds the base year costs for the student up dated to one-year-old expenditures.

    Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect July 1, 1989.

STATEMENT OF FACT

    This bill allows units to add the excessive costs of out-of-district special education placements to the unit's program allocation in the current year. Costs up to 3 times the secondary per pupil rate will be treated as other special education costs and added to the formula on a two year old cost basis.

Legislative Document   No.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY NINE

AN ACT TO INCREASE THE PERCENT STATE SHARE IN THE EDUCATION
SUBSIDY FORMULA TO 60%

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

Sec. 1. 20A MRSA §15602. sub-§1 is repealed and replaced as
follows:

    1. Contributions from General Fund. It is the intent of
the Legislature to provide at least 58% of the cost of the
total allocation from General Fund revenue sources.

Sec. 2. 20A MRSA §15602. sub-§1 is repealed and replaced as
follows:

    1. Contributions from General Fund. It is the intent of
the Legislature to provide at least 60% of the cost of the
total allocation from General Fund revenue sources.

    Effective date: Sec. 1 becomes effective on June 30,
1990. Sec. 2 becomes effective on June 30, 1991.

STATEMENT OF FACT

    This bill makes the percentage state share for subsidizable
costs in the school funding formula 58% for the school year
1990-91 and 60% starting in the 1991-92 school year.

Legislative Document   No.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY NINE

AN ACT to Move Certain Minor Capital Costs from the Operating
Allocation to the Debt Service Allocation under the School
Finance Act.

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

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

   Whereas, the Department of Educational and Cultural
Services is to report to the Joint Standing Committee on
Education on the transition requirements in this bill by May
15, 1989; and

   Whereas, This reporting date is before the 90 day period
between the end of the session and when regular bills take
effect; and

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

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

Sec. 1. 20-A MRSA §15602, sub-§2, is amended to read

   2. Actual local operating costs. "Actual local operating
costs" include all costs except the following:

A.   Program costs for special education costs in subsection
22, vocational education costs in subsection 30,
transportation operating costs in subsection 29, bus
purchase costs in subsection 7 and early childhood costs in
subsection 10;

B.   Debt service costs;

C.   Community service costs;

D.   Major capital costs; and

E.   Expenditures from all federal revenue sources, except
for amounts received under United States Public Law 81-874;
and

F. Minor capital costs approved by the commissioner for:
     (1) Asbestos abatement,
     (2) Underground oil tank removal and replacement, and
     (3) Roof repairs or renovations,
as defined in sub-§ 8, ¶ E.

Sec. 2. 20-A MRSA §15602, sub-§8 is amended to read:

8. Debt service costs.   "Debt service costs," for subsidy
purposes, includes:

A.   Principal and interest costs for approved major capital
projects in the year of allocation including the initial
local share of school construction projects which received
voter approval for all or part of their funding in
referendum in fiscal year 1984-85;

B.   Lease costs for school buildings when the leases have
been approved by the commissioner for the year prior to the
year of allocation;

C.   The portion of the tuition costs applicable to the
insured value factor computed under Title 20-A, section
5806, for the base year; and

D.   Funds allocated by the state board to administrative
units to cover the costs of new school construction
projects funded in the current fiscal year; and

E. Minor capital costs, for the year prior to the year of
allocation and approved by the commisioner, for
     (1) Asbestos abatement not funded by other state or
     federal programs,
     (2) Underground oil tank removal and replacement, and
     (3) Roof repairs or renovations.
The definition of the costs included in sub-¶¶ 1 through 3
and the procedures for implementation of this paragraph
shall be established by the commissioner.

Sec. 3. Transition.

The Department of Educational and Cultural Services shall present by May 15, 1989 to the legislative committee having jurisdiction over educational matters the following:

1. A cost estimate for moving the minor capital costs described in this bill from the operating to debt service allocation in the formula,

2. Rules necessary for defining minor capital cost expenditures in the areas described in this bill and for determining the process for obtaining commissioner approval,

3. A procedure for dealing with the bonded payments for indebtedness school units have incurred for past expenditures for these types of minor capital costs.

Sec.s 1 and 2 shall apply starting with the State subsidy for the school year 1990-91.

Emergency clause. In view of the emergency cited in the preamble_this Act shall take effect when enacted.

STATEMENT OF FACT

This bill would move minor capital costs for asbestos abatement, underground oil tank removal, and roof repairs or renovations from the operating allocation to the debt service allocation in the school funding formula. This shift would have the effect of assuring that the state subsidy dollars generated by these costs would go to those school units which expended the money. In the year of transition there would be additional costs associated with moving the expenditures from base year costs to one-year-old costs. There would also be a cost associated with the application of 20-A MRSA §15602, sub-§3 which requires that the "percentage of the State's share of the operating cost allocation on a statewide basis shall be no less than the percentage of the State's share of operating costs in 1988-89.

FIRST REGULAR SESSION

ONE HUNDRED AND FOURTEENTH LEGISLATURE

Legislative Document   No.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY NINE

AN ACT TO FUND THE COST OF THE SALARIES FOR OF PROFESSIONALS IN
NEW OR EXPANDED SPECIAL EDUCATION OR GIFTED AND TALENTED
PROGRAMS ON A ONE-YEAR-OLD BASIS

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

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

    Whereas, for the Department of Educational and Cultural
Services to be able to develop procedures to implement this Act
in time for school units to apply by October 1, 1989, and

    Whereas for school units to be able to apply by December 1,
1989, and

    Whereas this Act might not become law until after October 1
if not enacted as an emergency, and

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

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

20-A MRSA §15603, sub-§22 is amended as follows:

22. Special education costs. "Special education costs" for subsidy purposes includes:

A. The salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform a special education service;

B. (TEXT EFFECTIVE UNTIL 7/1/89) The costs of tuition and board to other schools for programs which have been approved by the commissioner. Medical costs shall not be allowable as part of a tuition charge;

B. (TEXT EFFECTIVE 7/1/89) The costs of tuition and board to other schools for programs which have been approved by the commissioner and not paid directly by the State under section 15607, subsection 9, paragraph A. Medical costs shall not be allowable as part of a tuition charge;

C. The cost of programs for gifted and talented students which have been approved by the commissioner. Federal and state grants used for gifted and talented programs approved by the commissioner may be included as allowable costs under this program;

D. Starting in 1986-87 for expenditures in the base year 1984-85, the following preschool handicapped services:

    (1) The salary and benefit costs of certified professional, assistants and aides or persons contracted to perform preschool handicapped services which have been approved by the commissioner; and

    (2) The cost of tuition to other schools for programs which have been approved by the commissioner;

E. The cost of tuition, books, fees and transportation for courses taken at post-secondary institutions under chapter 208; and

F. Starting in 1990-91 for expenditures in base year 1988-89, the cost of child care services as specified in section 6651, subsection 3; and

G. The salary and benefit costs in the year prior to the year of allocation of certified professionals contracted to perform a special education service or teach in gifted and talented programs if they:
    1. Are new positions,
    2. Were reported to the commissioner by the previous October 1, and
    3. Result in an increase in the total number of special education or gifted and talented positions from the base year.