"An Idea Whose Time Has Come." Analysis of an Act Equalizing the Financial Support of School Units.

Bureau of Elementary and Secondary Education (DHEW/OE), Washington, D.C. School Finance Study Unit.

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ABSTRACT After tracing the historical development of the Maine system of school finance, the document describes the major provisions of a 1973 legislative act that equalizes the financial support of school units. Under the act, 60 percent of the cost of public school programs will come from State tax sources and 40 percent will come from a uniform property tax being applied equally to all administrative units in the State. The document considers such topics as raising local and State school revenues, local taxes for current operation and for capital outlay, State supervision of local property tax administration, other State aid programs, the effect of the legislation on selected districts, and the legal implications of the act. The entire legislative act and a suggested procedure for the implementation of the act are included in the appendixes. (Author/DN)
"AN IDEA WHOSE TIME HAS COME"

ANALYSIS OF AN ACT
EQUALIZING THE FINANCIAL SUPPORT OF SCHOOL UNITS

Enacted by
The 106th Maine Legislature
June 22, 1973

By
Kermit S. Nickerson

[1973]

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PART I. Background Information

A. Landmark Provisions for Financial Support of Public Education in the Early Years

The history of State support of public education in Maine is closely allied with and patterned after that of the Commonwealth of Massachusetts of which Maine was a part until separation from the mother colony and state in 1820.

During the years of exploration and settlement it was natural that there was a minimum of effort devoted to the establishment of schools because settlement was slow and the threat of Indian attacks left little time for educational and cultural development. Although growth and establishment of schools was slow, we do find in the 18th and 19th Centuries the basis for many of the elements of present day systems and organization. A review of the early laws relative to financial support shows that nearly every aspect of today's support structure had its origin in striving for better and improved programs year by year.

The purchase of the Province of Maine by Massachusetts in 1677 brought the area under the Massachusetts Bay Colony Laws of 1642 and 1647 which contain the first legal requirement for schools. In 1642, the General Court of the Colony and Province of Massachusetts Bay ordered that "the selectmen in every town, should have a vigilant eye over their bretheren and neighbors to see, first, that none of them shall suffer so much barbarism in any of their families, as not to endeavor to teach, by themselves or others, their children and apprentices, so much learning as may enable them, perfectly, to read the English tongue and knowledge of the capital laws, upon penalty of twenty shillings for each neglect therein." This ancient law was the first evidence of public
responsibility for education and acceptance of the principle by the lawmakers, that there was an obligation on their part to see that youth did not grow up in ignorance.

In 1647, the General Court ordered "every township after the Lord had increased them to the number of fifty householders to appoint one person to teach all such children as shall resort to him to read and write, whose wages were to be paid by the parents or masters of the children or by the inhabitants in general." and further provided that "those who send their children be not oppressed by paying much more than they can have them taught in other towns." It also directed that when any town increased to one hundred families, the authorities should set up a grammar school to instruct youth for the university.

Establishment of schools in the Province of Maine was moderate for only seven grammar schools in 161 incorporated towns were in operation by 1800. Although penalties existed for not providing schools, in reality, public education was not widely accepted until after the turn of the century.

The early schools were under the control of the church rather than either the State or the town. This is probably due to the fact that Maine was settled predominantly by Puritan stock from Massachusetts.

Early laws regarding teachers were more concerned with moral character than educational qualifications. As evidence of this concern, an act of 1671 directed that the youth be educated, not only in good literature but in sound doctrine, and ordered the selectmen not to allow anyone to teach in the schools and colleges that have manifested themselves unsound in the faith or scandalous
In their lives and have not given satisfaction according to the rules of Christ." For many years the church was the financial agency for schools receiving money from the town and disbursing it in parish meetings.

**Constitutional Provisions**

While the constitutions of most states recognize that the support of education is a State responsibility, the Maine Constitution in Article VIII entitled, Literature, emphasized the advantages of education but in somewhat unique fashion directed the Legislature to require the towns to support and maintain schools at their own expense and also to encourage and endow all academies and seminaries of learning in the state. This might well be interpreted to provide State support for private institutions and to delegate full responsibility for public schools to local school districts, but in actual practice, from the first years of statehood the State has contributed revenues for school finance and has demonstrated by appropriate and repeated actions that the support of public schools is a joint responsibility of State and local agencies. The absence of State responsibility in the early years probably reflects a strong prejudice of Maine citizens against anything in governmental affairs which looked like centralization of control.

**Growth in State Financing and Support**

Although the Constitution tended to make financial support of education a local responsibility, the early Maine Legislatures soon passed laws to see that this was done. The second session, in 1622, enacted a law requiring that each town raise annually the sum of forty cents per capita. It is worthy of note that a
minimum per capita requirement continues to the present day and despite inflation and extension of educational opportunities rose to only eighty cents per capita in the next 150 years. In 1969, the minimum was raised to $20 per inhabitant.

The inadequacy of local support alone soon became evident for in 1828, a State Public School Fund was established with $200,000 received from the sale of twenty townships together with some money received from Massachusetts as Maine's share of war claims against the United States. The income from this fund was distributed according to the number of scholars. The fund was the forerunner and basis in later years for ever increasing State allocations for the equalization of educational opportunity. This fund is significant for establishing the principle of State support.

**State Bank Tax**

In 1833, a measure was passed requiring banking corporations to pay to the State one-half of one percent semi-annually on their capital stock. The amounts received were not large but the law was important as it was the first State appropriation from tax money for school aid. During the period 1833 to 1849 the revenues from this source averaged only $31,511 per year. Adding this amount to the municipal tax of forty cents per inhabitant the total resources for the operation of all public schools of the State in 1849 were only $289,961. The bank tax, however, did not prove to be a stable source of income due to a tax on State banks imposed by the Federal Government and it seemed likely that this source of revenue would disappear entirely. To offset this deficiency, the Legislature in 1863 increased the sum to be raised
Locally to 75 cents per person.

First State Property Tax

The Legislature of 1872 provided a much broader basis for school support by the enactment of a tax of one mill on all property in the state. The proceeds of this tax were paid to the State and distributed to towns and cities according to the number of scholars between the ages of four and twenty-one.

In 1909, another mill and one-half statewide tax on property was allocated for the support of public schools with one and one-half mills being distributed as heretofore in accordance with the school census and one mill on the basis of the municipalities' valuation. This action resulted in increasing State school funds from $869,188 in 1909 to $2,377,684 in 1910 which percentagewise was probably the greatest increase in State support ever experienced before or since that time.

The State property tax was raised to 3½ mills in 1921 with the establishment of the State School Fund. The revenues were allocated to the towns and cities on the basis of $100 per teaching position; $3.00 for each person on the school census between the ages of five and twenty-one, and the remainder, if any, on aggregate attendance.

Steps Toward Equalization of Tax Effort

The need for equalization of both taxation and educational opportunity became an increasingly critical issue early in the 20th Century. The first step was taken in 1919 when a special fund of $40,000 was appropriated for the purpose of strengthening small rural high schools. Another indication of growing acceptance of State responsibility for education was evidenced in 1920 when
an equalization fund derived from the Common School Fund plus interest on reserved lands in unorganized townships amounting to $55,621 was distributed to towns having tax rates for school and municipal purposes in excess of the State average. In that same year an unprecedented action was taken when the Governor and Executive Council allocated $100,000 to help towns maintain schools and pay teachers salaries under emergency conditions resulting from the high cost of living following World War I.

The Mort Survey

By far the most significant event relating to the financing of education during the thirties was a survey in 1934 on "The Financing of the Public Schools of Maine" conducted by Dr. Paul Mort for the Maine Finance Commission. The report was highly critical of the inadequacies of Maine education. The Study concentrated on potential economies in the operation of schools, more equitable sources of revenue for the State School Fund and the distribution of funds on an equalized basis. The report endeavored to present an accurate portrayal of existing conditions and to improve the financial structure so as to guarantee to all boys and girls a minimum program of educational opportunity.

It was found that the cost of education was a small item in the total expenditures of the state, that there was a drift in population from the rural areas to the cities and that the percentage of State money going to education was decreasing while that for highways was on the increase.

The Commission recommended that minimum standards be set by the State and that the Commissioner of Education be granted the power to decrease proportionately aid to those units which
failed to meet minimum requirements. The report recognized the responsibility of the State for establishing an equitable foundation program and for distributing the burden over the state in accordance with the people's ability to pay. Maine had not recovered from the great depression and it was estimated that it might take from ten to twenty years to accomplish its goals. The report was prophetic and correct in respect to the time element for implementation for its recommendations did not lead to many immediate reforms. It should, however, be credited with doing much to strengthen and extend the principle of State responsibility for providing equal educational opportunity for children in all sections of the state. Undoubtedly it contributed to the adoption of a minimum foundation program fifteen years later.

**Foundation Program**

In 1949, a formula was adopted which divided the 492 separate school units into nine classifications for the distribution of State school aid according to wealth based on an equalized State valuation.

**The Jacobs Report**

Another survey entitled, "School Finances and Needs" was conducted in 1955 by the T.L. Jacobs Company of Chicago, Illinois. Its assignment was to study school organization and make recommendations for the distribution of school funds on an equitable basis. The climate was more favorable for action and unlike the Mort Report did result in constructive legislation. An act based on the recommendations provided an updated minimum
Foundation program and perhaps more importantly a plan for reorganizing small school units into larger more efficient districts with a sufficient number of pupils and tax resources to offer more adequate programs. Through this law another forward step was taken toward establishing a basic educational program for every child regardless of residence, with the State contributing toward a fairer equalization of the cost of education between the poorer and richer units. The act furthered acceptance that education was a State responsibility.

In addition to Foundation Program Aid, provision was made in 1957 for State assistance on the construction of school buildings. This aid varied from 20% to 66% according to the wealth or lack of resources of a unit. It resulted in construction of needed new facilities for increasing enrollments and replacement of obsolete and out-moded buildings.

**Uniform Effort Principle**

In 1965 a so-called Uniform Effort Principle was adopted. Under this law each administrative unit was required to make a twenty mill effort on an equalized valuation toward the support of a foundation program with the State supplying the difference between the local assessment and the foundation program.

In 1971 the general school aid law was again revised in an attempt to equalize educational opportunity and to assist local units in providing an adequate program for all pupils through an improved equalization formula. At the same time State aid to local units was increased by a requirement that the sum to be distributed statewide be equal to at least one-third of the average per pupil cost for all public schools in the state for
the fiscal year preceding the convening of the legislature.

The amount of money to be paid each unit was computed as follows:

<table>
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<tr>
<th>State Valuation</th>
<th>Per Pupil at Mid Point X Per Pupil Valuation of Municipality</th>
<th>Base Rate X Number of Pupils in the Municipality as defined in this section, in Year Preceding the Convening of the Legislature</th>
<th>The Equalization Amount Preceding the Convening of the Legislature</th>
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The law also had a provision that each municipality shall be reimbursed from a fund known as the Tax Effort Fund for a percentage of the fund if its tax effort for all municipal purposes exceeded the median tax effort of all places in the state. Unfortunately no funds were appropriated for this purpose and it was never implemented.

B. Need for Greater Equalization

Despite all of the effort made over many years an equalization of educational opportunity between the "have" and "have-not" units had not been achieved. The gap was widening rather than narrowing and each year the burden on property taxpayers in the poorer units became increasingly critical.

Evidence of concern came from many quarters and eventually led to enactment in 1973 of An Act Equalizing the Financial Support of School Units which is summarized in Part II of this report. Some of the efforts made to improve the financing of education prior to 1973 and position statements made by State and municipal officials and lay citizens are indicative of the ferment that was taking place. A few of these are reviewed to provide some background of the climate that led to and culminated in legislative action.
Governor Kenneth M. Curtis

January 21, 1968. Governor Curtis expressed his interest in developing for the State of Maine, a plan to equalize property tax support for the public schools. He called attention to the great variations in tax burdens from town to town and felt that the beneficiaries from an equalized tax burden would be both our school children and our citizens who pay above average taxes in many cities and towns. He said, "For too long we have complained of inequities in our school subsidy formula and in the disparities of present property tax assessments. It is now time to resolve these inequities."

As one possibility for tax reform, the Governor continued "We should thoroughly consider distributing the local costs of education more equally among all the cities and towns of the State according to their property tax resources, just as the State law now collects its sales taxes equitably from all people in all sections of the state.

William T. Logan, Jr., Commissioner of Education

In September 1968, William T. Logan, Jr., Commissioner of Education in a statement addressed to the State Board of Education, illustrated the mounting pressure on local property taxpayers as follows: "The ability to pay as measured by State valuations during the ten-year period 1957 to 1967 has increased 21%. The appropriations required for school purposes have increased 112% in the same period." He further stated that "The median school tax effort based upon State valuation and 1967 appropriations for all units was 30.6 mills. Municipalities had a low of .1 mill and a high of 85.1 mills." As a basis for comparison he told
the Board "In twenty states which have a similar per capita income to Maine, 17 have a property tax lower than the national average, while Maine's property tax rate, according to the Bureau of the Census is 50% higher than the national average."

Arnold H. Sturtevant, President Maine Bankers

In an article printed in March 1969, Arnold H. Sturtevant, President of the Maine Bankers Association and the Livermore Falls Trust Co., asserted that "It is time for the State to pay for schools with a broad based tax." He had found in his business transactions that continuing gross inequity of taxation between communities is a major contributing factor to blight; that landlords and businesses in the high-tax towns are encouraged to let properties deteriorate to minimize taxes; that real estate markets stagnate with vacant homes unsold for long periods becoming ill-kept and unsightly and that as the tax base erodes the rate moves even higher to support services which remain constant. He asserted that "the cause of this inequitable situation is the failure of our State of Maine to assume the responsibility for supporting our schools." He wrote that "Taxes for the support of our schools should be collected by the State and distributed to communities according to the number of students that must be educated."

Mr. Sturtevant's position was very clearly defined again in April 1971 when he told the Joint Committee on Education of the Legislature "A system that tells the citizens of one town that they are perfectly free to enjoy the right of educational opportunity equal to that enjoyed by a more wealthy neighboring town simply by managing to pay two or three times the property tax rate paid by the more fortunate neighbor is providing a
questionable degree of "equality" of opportunity. "It is a wonder to me," he said "that the taxpayer didn't start his revolt long ago."

In his position statement, written long before the court cases in California, Texas, and other states, he advised that "The central government - State, or Federal if the State fumbles the ball will very soon accept the fact that it - not local government must be held ultimately responsible for providing all citizens with the right of equality of educational opportunity. Our courts have found this right must be provided without discrimination as to the color of our skin, and I am convinced that they should find no less objectionable that we discriminate as to financial means, as we do through our inequitable administration of the local property tax as a major means of supporting education."

Asa A. Gordon, Assistant Commissioner for School Administrative Services

Wide variations in tax effort were reported in October 1970 by Asa A. Gordon, Assistant Commissioner for School Administrative Services. He found that using State valuation as a yardstick the tax rates among the towns varied from 93 mills to no appropriation whatsoever for school purposes. He presented data showing that by grouping the 495 municipalities into five numerically equal groups of 99 each that the towns with the lowest tax base were raising 51 mills for education while the wealthiest group raised only 17 mills. Because of the wide disparity in tax effort he recommended that the concept of a uniform local tax effort for financing education be adopted.

1971 Legislative Proposals

Interest for tax reform was on the rise in Maine before the Serrano and Rodriguez decisions were rendered.
Two measures of considerable significance were presented at the 1971 Session of the Legislature. Although neither of them was enacted they were the forerunners of other measures to follow in 1973 and are considered to be of sufficient importance to describe briefly.

Legislative Document 1131, "An Act to Fund the Cost of Public School Education From State Sources." This measure was sponsored by Representative Douglas Smith of Dover-Foxcroft. It had a hearing before the Committee on Appropriations and Financial Affairs but did not receive strong support and subsequently was withdrawn in favor of a joint legislative order directing the Maine Education Council to prepare and present a report and a proposal for full State funding of education to the next legislative session.

The second measure, Legislative Document 1293, "An Act to Equalize Educational Expenditures and Local Tax Effort" was the product of considerable research and study by a group representing the Associated Industries of Maine. It's sponsor was Senator Joseph Sewall, who was chairman of the Appropriations and Financial Affairs Committee. This act also had a public hearing and received some support but even though the cost was much less than the proposal of Representative Smith it also was ahead of its time and was reported Ought Not to Pass.

The general effect of these measures, however, was to awaken and encourage serious study and further consideration of tax reform.
Maine Education Council

A report entitled, "The Full Funding of Education" and subtitled "An Idea Whose Time Has Come" was prepared for the 1973 Session of the Legislature by the Maine Education Council in response to the 1971 Legislative Order in directing it to study full-funding of education by the State. It recommended immediate adoption of a system of educational finance incorporating the following features (a) full State funding of local education, (b) collection of a Statewide property tax, (c) educational cost differentials, (d) special treatment for isolated areas, (e) fair treatment of units with high or low expenditures, (f) leeway at the local level, (g) rewards for efficient use of funds and (h) improved ways of dealing with transportation, capital outlay and debt service.

The Council noted that, even with Maine's equalization formula, large disparities continue to exist in capacity to support programs and in per pupil expenditures. Some units, it found, can now spend twice as much money per child as a neighboring system while making one-fourth the tax effort.

Report on "State of Maine Government Finances, Relief and Reform"

A study of State of Maine Government Finances, Relief and Reform authorized by the State Planning Office of the Executive Department was conducted by Esco Research Inc. and a report filed in December 1972. This document provided much basic information on State tax and finance procedures and had a significant influence on the Governor's recommendations and proposals for tax reform.

The first recommendation of the report was that the Legislature should provide all of the basic operating funds for public schools,
kindergarten through grade 12 to insure a relatively equal
opportunity for all Maine youth and in order that Maine citizens
bear the burden equitably. The additional cost to the State
was estimated to be $123.5 million for fiscal 1974-75. It also
recommended funding the entire cost of transportation by the State
at an estimated additional cost of $3.3 million. In order to
finance the tax reforms, it proposed that each municipality be
assessed a uniform State property tax based on State valuation.
The mill rate to be assessed would vary depending upon the reforms
adopted.

**Governor's Tax Reform Message**

In a message to the 106th Legislature on January 18, 1973,
Governor Kenneth M. Curtis presented in forthright language the
urgent need for tax reform and a proposal to provide more equitable
and constitutional means of support of public schools by requiring
that all taxable property contribute at an equal rate to pay the
costs; to assure that children receive a good quality of education
regardless of the wealth of the community as measured by property;
to improve the balance of the tax system by reducing the overall
property tax burden; and to improve the business climate by
eliminating the personal property tax on business inventories and
reduction of taxes on real property.

In his message, the Governor acknowledged the frustration
and anger of Maine people over inequitably imposed taxes. He
expressed faith that "the people expect to pay their way, as long
as equal money buys equal passage." He described the Maine
property tax as the worst scofflaw of this principle. It was his
stated conviction that "as long as the system remains unchanged we shall perpetuate inequality in education and excessively and inequitably burden property owners on the basis of nothing other than the happenstance of residence."

His legislative reform proposals were based on data derived from several tax studies which had been conducted. These included a cooperative analysis of public school financing by the Maine Education Council, Maine Municipal Association, Department of Educational and Cultural Services and the Maine School Management Association and also the Esco Report on State of Maine Government Finances, Relief and Reform.

The Governor emphasized that the time was ripe for tax reform. He called attention to the fact that for the first time in twenty years there was a substantial amount of revenue available to defray the additional State costs inherent in local tax reform. He reminded the legislators that both political parties had adopted platforms favorable to tax reform and warned that if action was not taken now that it might be many more years before conditions were as favorable. He estimated a 20% to 25% reduction in local property taxation could result if his recommendations were adopted. Governor Curtis showed his sincerity in promoting tax reform by following up with a second message in March 1973 entitled "The Local Impact of Recommendations in the Message on Tax Reform." This provided detailed information of the financial impact on each municipality. He pointed out (1) that of 496 municipalities in Maine, 398 or 80% could receive some tax relief in 1974; (2) that the 398 municipalities have over 92% of students enrolled
in public schools; (3) that increased subsidy would be provided for 298 which fail to meet the State average expenditure of $630 per elementary pupil and $945 per secondary pupil for support of education despite an average or above local tax effort; and (4) that the only municipalities which would not benefit were those whose property tax efforts for education fall below the State average.

**Tax Reform Legislation Presented to the 106th Maine Legislature**

Impetus for tax reform was underway early in the session of 1973. Both party platforms had endorsed tax reform for educational purposes and enabling measures were presented by representatives of both political parties. Four separate measures similar in intent were introduced and after some reshuffling were referred to the Joint Committee on Education rather than the Committee on Appropriations and Financial Affairs as had been their predecessors of 1971.

These measures in order of introduction were: Legislative Document #357, "An Act Providing for Financing Operating Costs of Public Schools" presented by Representative Douglas Smith of Dover-Foxcroft. The measure was similar in principle to his 1971 proposal for full funding of education by the State and embodied the Governor's recommendations. The act provided for full State financing of the basic operating costs of public education. The intent was to establish a more equitable and constitutional means of school support by requiring that all taxable property contribute at an equal rate to pay the costs and to assure that children receive a good quality education regardless of location or the wealth of the municipality as measured by property.
In addition the act was designed to improve the balance of the
tax structure through an increase in the State's share of local
operating costs from non-property sources to approximately 44%. An appropriation of $28,200,000 was attached.

Legislative Document #1617, "An Act to Create Local-State Funding of Public Schools" presented by Representative Floyd N. Haskell of Houlton, House Chairman of the Committee on Appropriations and Financial Affairs.

The purpose of this act was also to encourage an equalization of educational opportunity by making available to all units at least the average per pupil cost while requiring each municipality to make a uniform tax effort.

An appropriation of $143,000,000 was included involving $28,200,000 from Federal revenue sharing money, $86,500,000 from a uniform property tax, $12,000,000 from funds available for school construction aid, and $16,300,000 from current revenues in the State's general fund.

Legislative Document #1699, "An Act to Fund the Costs of Public School Education From State Sources" introduced by Representative Robert Ferris of Waterville, a member of the Committee on Education. The purpose was to attempt to equalize educational opportunity by providing equal tax dollars per pupil through equal local tax effort. It was also the intent to reform the method of financing public schools so as to remove all doubt about constitutionality. An appropriation of $149,000,000 was proposed for fiscal 1974-1975.
Legislative Document #1700, "An Act Providing Full Funding of Public Schools From State Sources" presented by Representative Donald Carter of Winslow. The declared purpose was to shift the full costs of education to State revenue sources over a period of nine years. During the nine year period a more equitable means of financing public education would be provided by a gradually decreasing State Uniform Property Tax. It was indicated the measure would offer substantial property tax relief for a majority of municipalities and move toward a balanced tax structure for local and State Government. The cost of $211,000,000 was to be funded by an appropriation of $102,500,000 from the State general fund, $14,000,000 from Federal revenue sharing money and $94,500,000 from a Uniform Property Tax.

The Hearing Stage

Inasmuch as these four separate measures were so similar in intent the Committee on Education held a joint hearing on the bills on April 10, 1973. The sponsor of each measure made a presentation and was followed by other proponents and lastly those in opposition were heard. In addition to the sponsors the proponents included representatives of the Maine Municipal Association, Maine State Superintendents Association, Maine Educational Council and Commissioner of Educational and Cultural Services.

Attendance at the hearing was not as large as expected but may be attributed to stormy weather which made travel conditions dangerous and because the site was remote from the capital.

Representative Smith in support of his measure said in part "In Maine the educational opportunities for young people vary significantly. In the urban centers, the prosperous suburban
communities and the highly industrialized municipalities, high real estate values have made it possible for the residents to raise a large amount of money to support their children's education. These municipalities are able to spend large sums of money on education without having to tax any individual at a prohibitive rate. However, towns with a sizable school population and a low valuation of taxable property find it necessary to tax themselves well above the State average just to maintain a minimum level of education. He illustrated this point by comparing Wiscasset and Eastport as follows:

<table>
<thead>
<tr>
<th></th>
<th>Wiscasset Secondary</th>
<th>Eastport Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Effort</td>
<td>6.3 mills</td>
<td>18.4 mills</td>
</tr>
<tr>
<td>$1,518 per pupil</td>
<td>$702 per pupil</td>
<td></td>
</tr>
</tbody>
</table>

Wiscasset, he pointed out, is generating twice as much money per pupil as Eastport with 1/3 the tax effort. He observed that even though Eastport is trying harder it is accomplishing less.

Mr. Smith proposed that each unit receive an educational subsidy of $630 per elementary pupil and $945 per secondary pupil with additional assistance for the education of handicapped children. He advocated a uniform statewide property tax of thirteen mills based on 100 per cent State valuation.

Mr. Haskell in support of L.D. #1617 stated that the present method of financing education was unfair to both students and parents. He proposed the establishment of a local-State partnership for support of schools with 40% of the revenue coming from a uniform local property tax of 11½ mills and 60% from broad-based
State tax sources. He pointed out that this would reverse the present condition whereby 2/3 of the cost of schools is borne by local units and 1/3 by the state. He called attention to the fact that his proposal was all-inclusive embracing total costs. He proposed an allowance of $600 per elementary pupil and $915 per secondary student supplemented by an allowance for excess costs for vocational and special education, plus costs of transportation, capital outlay and debt service.

Mr. Ferris in supporting L.D. #1699 asserted that "the State shall commit itself to lightening the burden of that most regressive of taxes, the tax on real property." He called to the committee's attention that the court decision in Rodriguez v. the San Antonio School District was not a judicial sanction of the status quo. He added that a magnificent opportunity has been provided for replacing lip service to better education and tax reform with positive legislative action.

Mr. Carter supported his measure with similar endorsements.

Following the presentations of the proponents the opponents were given the floor. The opposition came principally from spokesmen from the wealthier units which would lose in State subsidy and be required to contribute to the support of schools in the poorer units.

Representative Walter Birt, veteran legislator from the town of East Millinocket, site of a large plant of the Great Northern Paper Company in prepared remarks called the bills property tax "reshuffling" rather than property tax relief measures, as they would tax property of 8% of the people, who are financially better off propertywise to help those who are not so well off. He questioned
whether children living in areas with low property value are disadvantaged because of their residence. He discussed the effect on East Millinocket, a town admittedly well up on the tax scale, which provides many municipal services enjoyed only by the citizens of larger places in the State and was fearful that such services would be discontinued when the full effects of tax sharing were accomplished. He also expressed doubts that new industry would locate in the State if it must support a State-wide equalized educational program. Another argument presented by Mr. Birt and others was residents living and owning property in coastal and lake resort areas with high property valuation would be adversely affected. He advocated increasing the State's share under current laws from 33 1/3 to 40 or 45 per cent and not reducing the subsidy to the well-off towns. This he believed would accomplish the desired effect of lowering property taxes where they are highest. Loss of control by local boards of education was also of concern.

Committee Redraft

Following the hearing the chairman, Senator Bennett Katz, announced that it had been decided that because each of the four measures contained much merit that an effort would be made to consolidate the best features of each into one redraft proposal that could be unanimously supported by all committee members and presented to the legislature for consideration.

At the time the committee redraft was begun it was a general consensus that the optimism for reform in the early days of the session had greatly dissipated. As one legislator expressed it "Augusta is a hot bed of apathy." Several events contributed to this climate. Among them was the decision of the United States Supreme Court that tax reform was a State rather than a national matter,
a court decision that education was not necessarily a fundamental concern, the lateness in the session of the hearing and lack of great enthusiasm evidenced there, the absence of a definite bill, and the prospects of an early legislative adjournment. But in retrospect the time element was not necessarily disadvantageous for during the interim between the hearing on April 10, 1973, and the completion of the redraft much support was rallied and generated.

**Group Support**

In an attempt to regain momentum a group was organized known as The People for Reform of the Maine Property Tax which was promptly abbreviated to "PROMPT". This statewide group was headed by Mrs. Sylvia Lund, chairperson of the State Board of Education and wife of the Attorney-General Jon Lund. The organization included other members of the State Board, the Maine Municipal Association, the Maine School Management Association, Maine School Superintendents Association, Maine Teachers Association and Maine Retired Teachers Association. The purpose was to rally support for the tax reform concept rather than support of any particular measure. Mrs. Lund called for a concerted drive to urge Maine residents to speak out in favor of tax reform.

**Press and Media Support**

A generally favorable press and other media should be credited for developing considerable support statewide.

On June 10, 1973, Bill Caldwell, Editor, Maine Sunday Telegram, a paper with statewide circulation, endorsed educational tax reform in a strongly worded article. He described the concept as one that "will provide more equality in local taxes, reduce local taxes by over $65 million annually and at the same time give every Maine youngster, wherever he or she lives, a fairer shake at equal education."
He urged his readers to "tell their legislators of their support, because if the voters do not give the message loud and clear to the legislative leaders they may not have the gumption to pass this much needed bill." He dramatized the situation by describing Senator Bennett Katz, the leader in tax reform, as "Senator, jeweler, pixieish persuader" and predicted he will go down in Maine history as "the last minute dragon-slayer."

On June 10, 1973, Jim Brunelle, Staff Writer for the Portland Telegram, in assessing the situation in an article asked "Will the 106th Legislature approve a plan for local property tax relief?" "The answer" he said "depends upon who you ask." "Yes" says Senator Katz. "No" says House Speaker Richard Hewes. "Maybe" says Senate President Kenneth P. MacLeod.

The New Draft

This was the situation when on May 31, 1973, a new draft Legislative Document 1994 entitled, "An Act Equalizing the Financial Support of School Units" was reported unanimously by the Education Committee as Ought to Pass. The new draft which is described in detail in the following pages was approved by the House of Representatives and forwarded to the Senate. The Senate at that time was considering passage of the Part I appropriation measure which was an emergency item and required a two-thirds vote. Senator Katz by his single vote courageously held up passage of the budget until he was assured of consideration of the tax reform act. After a lengthy debate in the Senate, the tax reform measure was passed with only three dissenting votes. One senator who made the most spirited speech in opposition, voted in favor. The measure then was returned to the House where it was again debated and
passed by a substantial margin. Signing of the act by Governor Curtis on June 22, 1973, was the final step in bringing about educational tax reform.

After the enactment and signing by the Governor, Senator Katz was given the privilege of writing a guest editorial for the Maine Sunday Telegram. He described property tax reform as a "will-of-the-wisp" that had been only a dream for many years but as he exultantly wrote "Now Maine people have it." He gave credit for "having it" to the extraordinary group who served with him on the Education Committee, liberals, conservatives, Republicans and Democrats. He also gave credit to Governor Curtis for what he termed his support "from day one." But in the last analysis he claimed it was "the pressure of the people back home who carried the day." He concluded that "success was particularly sweet because it was attained by Republicans and Democrats working together for the good of the State. We have laid the groundwork for equal educational funding and more of it at the State level. Now we can turn our full attention to providing even better quality within the framework of our ability to pay." He then added a few words of caution saying "Everyone's property taxes are not coming down. In some cases they may actually go up. But Statewide we have equalized the burden on local property taxes by providing the money in new state dollars."

Governor Curtis in signing the act on June 22, 1973, praised the legislation as "building in a better more responsive system for financing public education." On the occasion, surrounded by legislative leaders of both parties he said "This is not the time for speeches. I just want to congratulate and thank everybody who worked hard. The educators will tell you how important it is." He was
pleased and satisfied with the law saying it came very close to the relief measure he requested from the GOP controlled House and Senate.

Summary Comments

The 106th session of the Maine Legislature was most productive in enacting a large number of highly significant measures. In addition to the tax relief act, equal educational opportunities were mandated for handicapped children, area secondary vocational-technical education was expanded to complete coverage of the state, and school nutrition and food services were mandated for all pupils in elementary schools. Equalization of educational opportunity through equalized taxation was by far the most significant enactment in many years and perhaps the most important of all Maine history. The legislation is also expected to bring indirect benefits as equality of taxation will aid in solving other problems such as district organization and curriculum adequacy. In January, when the Legislature convened it was a glamour item endorsed by both parties but as the session progressed legislators became more concerned with routine business and other matters. By the time the hearings were held the atmosphere was aptly described as "more like a graveyard than anything else." There was as usual concern over future costs which might result and some doubt if the State's financial condition was as favorable as reported. After the hearings, there was an up-surge of interest, a "will-of-the-wisp" began to take shape and became a reality for fiscal 1974-1975.
PART II

Description of Act Equalizing the Financial Support of School Units. Chapter 556, P.L. 1973

Purpose

To insure relatively equal educational opportunities for all public school students; provide a significant measure of relief for property taxpayers; distribute the property tax burden more equitably; increase the proportion of State support; and place a limitation on taxation of property for school purposes.

To accomplish these goals the support of education supplied by property taxation is reduced to 40 percent financed by a uniform Statewide tax on the full State valuation of each unit with the balance provided by broad-based non-property State taxes.

Resources and Budget

I. Provisions for Raising State School Revenues

--Earmarked State Taxes

Prior to the enactment of this measure no State taxes were earmarked for education. Appropriations for assistance to local units were made from the general fund of the state. Under this act approximately 14 mills on State valuation at 100 per cent is assessed for 1974-1975 on all real estate in each municipality, township and land in the unorganized territories not included in any township of the state.

--Unearmarked State Taxes

The revenues required to fund the 50 per cent State's share of the support of public education are derived from the proceeds of a graduated income tax, 5% sales tax, Federal revenue sharing funds received by the state, and other miscellaneous revenues.
accruing to the general fund of the state. An appropriation of $89,512,778 from the general fund for fiscal 1974-1975 was authorized. In addition under another measure - Chapter 98, An Act to Allocate Money from the Federal Revenue Sharing Fund for the Fiscal Years Ending June 30, 1974, and June 30, 1975, the sum of $12,135,026 was allocated for payment of State school subsidy to local units. This does not represent any material change in policy for financing the State's share of educational costs except to increase the overall percentage and amount.

--Percent of Increase of State Support

For fiscal 1974-1975 State assistance for public education from non-property sources is increased from 33 1/3 percent to 50 percent. It also is intended to reduce taxation on property for educational purposes from approximately 60 percent to 40 percent.

I. Provisions for Raising Local School Revenue

A. Local School Taxes for Current Operation

1. Tax bases authorized

The bases for the assessment of a uniform Statewide property tax on the real estate in both the organized municipalities and the unorganized territories and determination of the tax rate is prescribed as follows:

The Commissioner of Educational and Cultural Services, on approval of the State Board of Education, is directed annually, prior to February 15, to certify to the State Tax Assessor 50 per cent of the estimated total public education costs for the current year. Based on this estimate a tax is to be assessed locally at a rate that is equivalent to 50 per cent of the Commissioner's estimated
29. public school costs divided by the total of the most recent State property valuation adjusted to 100 per cent plus a tax of 7 3/4 mills for the property tax year beginning April 1, 1974; 9 1/4 mills effective April 1, 1975; 10 3/4 mills effective April 1, 1976; 12 1/4 mills effective April 1, 1977; and 13 3/4 mills effective April 1, 1978, and each year thereafter.

2. Minimum rates required and maximum rates authorized

The minimum rate required is specified in II.A.1. above. It approximates an assessment of 14 mills on all real property for the fiscal year 1974-1975.

The maximum or ceiling on such assessments is limited by a provision that the Statewide uniform rate as applied to individual municipalities shall never exceed the annual weighted average municipal tax rate. This rate is determined by dividing the total of municipal taxes levied Statewide for the preceding year by the State valuation adjusted to a 100 per cent value basis. Heretofore there was no ceiling on local appropriations.

3. Revenue and expenditure limitations and provisions for exceeding:

---rate limitations on tax base and provisions for exceeding

The maximum rate allowable on local property bases is described above in II.A.1.

Units wherein the school tax rate for the preceding year is less than the rate determined by the State Tax Assessor and the sum levied by the State Tax Assessor is greater than the units school tax rate for the preceding year by 2½ mills shall have a rate determined by dividing
the amount appropriated for school purposes by property taxation on State valuation at 100 per cent. In such cases a sum shall be added to its allocation equal to the difference between the unit's appropriation for school purposes for the preceding year plus 2½ mills and the amount required by the State Tax Assessor.

--budget increase limitations and provisions for exceeding

Provision is made that for units wherein the per pupil operating cost for the preceding year was above the State average the allocation is frozen at one-half the difference between the State average elementary and secondary per pupil cost and the local average per pupil cost for the 1973-1974 school year or the State average elementary or secondary cost whichever is the greater. Any unit, however, is authorized to appropriate additional funds to maintain the average elementary or secondary per pupil expenditure for 1973-1974.

Additional appropriations for public school purposes may be made by a local unit not to exceed 2½ mills on 100 per cent State valuation of the unit. For each additional mill authorized by a local unit the State will guarantee $50 per pupil. Whenever a unit has authorized an additional levy beyond the amount required by the State Tax Assessor, it shall pay to the State Treasurer an amount which is in excess of $50 times the average number of resident pupils for the preceding year times the authorized mill levy.
In case a local unit's tax effort of one mill produces less than $50 per pupil the State will supplement the amount and distribute to the district a sum of money which together with the local additional levy will equal $50 per pupil.

--Dollar increase limitations and provisions for exceeding

The same information reported under II.A. 3. budget increase limitations and provisions for exceeding applies to dollar increases and limitations.

B. Local School Taxes for Capital Outlays and Debt Service

--Rate and debt limitations and provisions for exceeding

The act is all inclusive embracing all capital outlay and debt payments as well as operating costs. On existing indebtedness for capital outlay where bonds or notes and interest thereon is payable by a local unit each unit shall be reimbursed for the sums expended. The act specifies that it is the intent of the Legislature that 50% of the cost be paid from the uniform statewide property tax and that 50% be paid from non-property revenues.

The inclusion of capital outlay and debt service in the general subsidy program is a new departure for heretofore capital outlay and debt service has been subsidized separately according to the wealth or lack of resources of a unit. Funds for State subsidy for this purpose have been provided by legislative appropriation and more recently by a State bond issue for the State's share of capital outlay.

--Voting provisions

Authorization of expenditures for capital outlay requires voter approval except in cases where a city charter allows approval by a city council or other governing body.
State Board approval of all projects is required.

C. Provisions for Local Property Tax Administration and State Supervision

The need for greater uniformity in local tax assessments and improved expertise on the part of state and local assessors had been a subject of legislative concern and consideration for several years prior to 1973.

Even though allocation of State school subsidies was based upon 100 per cent State valuation of all real property as determined by the State Tax Assessor, the legislators realized that the time had come to take steps to ensure greater equality of local property taxation. Accordingly a measure entitled "An Act Relating to Property Taxation" was adopted. It provided for the creation of a Bureau of Property Taxation under the control and supervision of a State Director of Property Taxation. The act also combined the organized units in the state into primary assessing areas based upon geography, distance, number of parcels of land, urban characteristics and other factors; the appointment of an executive committee for each assessing area who would select a chief assessor; establishment of classes or schools for training assessors and certification of qualified assessors.
III. Local Tax Relief Provisions or Effects

Reduction in local property taxation for education would be effected the first year (1974-1975) for 411 of 497 municipalities. Many of the municipalities scheduled to receive less school aid in 1974-1975 are extremely small and several do not operate a school. A number of others would receive only slightly less aid than under present law.

IV. The Effect of the Proposal Toward Equalizing the Revenue Raising Ability of School Districts

Under this law all units would be taxed for school purposes at an equal rate. The present situation where school rates vary from 0 to 85 mills will be corrected. The constitutionality of support of education will be removed from challenge.

In 1974-1975, 88% of the pupils reside in units which will be eligible to receive an increase in State aid. The municipal tax load, due to passage of this act has been estimated to decrease by 20% in the first year of operation.

The effects of the act include:

1. Increase in the State's share of public school education from 33 1/3% to 50%.
2. Each unit will receive the State average per pupil cost for each elementary and secondary pupil.
   a. If a unit is spending less than the State average, it will receive its per pupil expenditure plus 1/3 of the difference between that cost per pupil and the State average.
   b. If a unit is spending more than the State average, it will receive the State average and an additional local
appropriation may be made not to exceed $2.50 mills on
100% State valuation.

3. Each unit will receive the amount expended in the
preceding year for special and vocational education.

4. Each unit will be reimbursed for the cost of trans-
portation.

5. Each unit will be reimbursed for the cost of capital
outlay and debt service.

6. All units will be assessed a uniform property tax for
school purposes.

The act appears to be capable of realizing its goals of
equalizing educational opportunity, providing additional
State assistance from non-property sources, affording relief
to property taxpayers and distributing the tax burden more
equitably.

Distributions

I. Principal State Aid Program

A. Program Calculation (Basis of Entitlement)

1. Guaranteed program level

--dollars per distribution unit

Before describing the new method of financing education,
it may be helpful to define a few of the basic terms
involved.

Operating costs - includes all elementary and secondary
operating costs except transportation, community services,
capital outlay and debt service, reduced by tuition,
receipts, expenditures from Federal sources, and
expenditures for special and vocational programs.
35.

Average Elementary per Pupil Cost - includes childhood education programs kindergarten through grade eight. The average cost is obtained by dividing elementary operating costs by the average number of resident pupils on October 1st and April 1st excepting students in special education programs.

Average Secondary Per Pupil Cost - includes grades nine through twelve. The average cost is computed by dividing secondary operating costs by the average number of resident pupils on October 1st and April 1st excluding full-time students in special and vocational education programs.

Excess costs - includes expenditures made by local units for special and vocational programs.

Special Education Programs - programs for exceptional children approved by the Commissioner.

Vocational Education - includes instruction in trade, industrial, agricultural, technical and service occupations. Business and consumer education and home economics are not included.

Computation of Unit Allocation to Fund Public Schools

The formula for allocation of funds to each unit is as follows:

Step 1. Determine the average number of resident pupils educated at public expense on October 1st and April 1st of each school year, excluding full-time students in special and vocational education programs.

a. Multiply the average number of resident elementary pupils by the State average elementary pupil cost.
The amount to be distributed in 1974-1975 is $600 per pupil.

b. Multiply the average number of resident secondary pupils by the State average secondary pupil cost. The amount to be distributed in 1974-1975 is $915 per pupil.

c. Compute the operating cost for special education programs for the preceding year.

d. Compute the operating cost for vocational education programs for the preceding year.

e. Determine expenditures for transportation for the preceding year. Expenditures are limited to an increase of 7% over the preceding year except for units which did not provide transportation for all students living beyond a reasonable walking distance.

f. Determine approved expenditures for capital outlay for the preceding year.

g. Determine approved expenditures for debt service for the preceding year.

Step 2. Add the amounts obtained in la to g. The result, subject to minor adjustment, is the basis for allocation of funds to a unit. If a unit's allocation exceeds the uniform tax assessed, the Commissioner shall authorize payment minus the tax levied.

2. Pupil or Program Weightings or Provisions

The annual allowance for each elementary pupil is fixed at $600 for each secondary pupil at $915. The number of pupils is the average of enrollment on April 1st and October 1st.
of each year. The allocation of funds for special and vocational education are based on operating expenditures for the preceding year (A.1-Step 2)

3. Provisions for capital outlay, debt service and transportation. Capital outlay and debt service expenditures of local units are included in the financial support program and funds are provided through the uniform property tax and other State taxes. The act states that it is the intent of the Legislature that 50 per cent of the cost of capital outlay and debt service shall be paid from the uniform property tax and that 50 per cent be paid from non-property State tax revenues. Transportation is also included in the financial support program. The allowance for a unit is based on expenditures for the preceding year. An increase of 7% over the expenditures for the previous year is allowed. Additional amounts may be included for a unit which has made arrangements to provide conveyance for students living beyond a reasonable walking distance but did not provide this service during the base year.

In order to include the cost of transportation in the computation, a unit is required to file with the Commissioner a description of transportation services provided during the 1973-1974 school year. The act specifies that additional transportation and purchase of new buses shall be accomplished in the most economical manner consistent with safety.

The new law repeals a former law which subsidized capital outlay and debt service payments according to the resources of the unit. No unit could receive more than
Transportation was previously State subsidized on the basis of average expenditures for the two preceding years and the valuation of a unit. No unit could receive more than 97% nor less than 13%. The same reimbursement arrangement also applied to expenditures for special education.

The act did not change any of the statutes relating to teacher's salaries. A minimum salary schedule for teachers with varying years of preparation and experience remains in effect. The range for a person with a Bachelor's degree is from $5,000 to $7,500 with ten years of experience. Any unit which fails to comply with the schedule shall have deducted from its apportionment an amount equal to that by which it is delinquent.

No provisions are included relating to density of population. As Maine has many areas of sparse population recognition was given to the need for adjustment to offset high costs in isolated areas. Accordingly the State Board of Education is authorized to adjust the per pupil allocation to meet the educational needs of units declared by them to be geographically isolated. No similar provision existed in previous law.

6. Enrollment Increase or decrease
No specific provision is made for unusual increases or decreases of enrollment. The method of averaging enrollments on April 1st and October 1st of each year was considered sufficient.
A previous statute did allow an adjustment to be made by the State Board when there was an annual increase from October 1st in one school year to October 1st in the next year in excess of 3% or whenever a private or parochial school closed and the pupils became the responsibility of the unit. Very few applications were received and adjustments made while the law was in effect.

7. Incentive provisions

--- School district reorganization

No reference is made in the act to school district reorganization. Under an administrative district law enacted in 1957 many of the smaller Maine municipalities were grouped together in larger units. Prior to the passage of this act a 10% State aid bonus was provided to reorganized districts as an incentive to better organization. This is repealed effective June 1, 1974.

--- Class size

No reference appears in the act relative to class size. A former provision is repealed which mandated that each unit employ at least one teacher for each thirty elementary pupils in average daily membership except in the kindergarten where the ratio shall not exceed one teacher to sixty pupils and at least one teacher for each twenty-five high school pupils.

--- Local Tax Effort

Whenever a unit authorizes a local tax levy in excess of 2½ mills on 100% State valuation, it will be eligible to receive an additional $50 per pupil from the State for each mill. Whenever a unit has authorized such a
levy it is required to pay to the State any amount which is in excess of $50 times the average number of resident pupils for the preceding year times the mill levy.

In units where local effort of one mill produces less than $50 per pupil, the State will supplement the amount with a sum which together with the local assessment will equal $50 per pupil.

8. Other

- Pupils residing on Federal Property

The act stipulates that pupils living on Federal property are not to be considered as resident pupils. Special arrangements for the education of such pupils may be made by the State or local unit in cooperation with the Federal Government. Heretofore, these pupils have been considered resident pupils and included in subsidy calculations.

B. Funding Plan for Principal State Aid Programs

1. State and Local Shares (Formulas for calculation)

The formula for funding the act by State and local agencies is described in detail under I.A.1. In effect, the intent is to reduce educational costs attributable to property taxes to 40% with 60% being provided by State tax sources. In 1974-1975 the State's share is to be 50% with 50% from local sources.

2. Provisions for transition

--Leveling up or down to guarantee

a. leveling up to guarantee

For units wherein the per pupil operating cost for the preceding year was less than the State average elementary
or secondary cost the per pupil allocation is limited
to an increase of one-third the difference between the
per pupil operating costs of the unit and the State average
elementary or secondary per pupil cost

b. leveling down to guarantee

In units where the per pupil operating costs for the
preceding year were above the State average the
allocation is frozen at one-half the difference between
the State average elementary and secondary per pupil
cost and the local average per pupil cost for the
1973-1974 school year or the State average elementary
or secondary cost whichever is the greater.

--Maintenance of expenditure levels in high expenditure
districts

Regardless of any other provision in the act, any unit
is authorized to appropriate additional funds to
maintain the average elementary or secondary per pupil

3. Some harmless or minimum participation guarantees

In units wherein the school tax rate for the preceding
year is less than the school rate determined by the State
Tax Assessor and the sum levied by the Assessor is
greater than the unit's school tax rate for the preceding
year by 2½ mills on 100% State valuation, the school
tax rate shall be determined by dividing the amount
appropriated for school purposes through property taxation
by the State valuation. In such cases there shall be
added to the unit's allocation a sum equal to the difference
between the unit's appropriation for school purposes
for the preceding year plus $2 \frac{1}{2}$ mills and the amount required by the State Tax Assessor. An adjustment of this kind is to be paid to the general fund of the unit and may be used for municipal purposes.

4. State budget review and approval provisions

No specific change was made in budgetary provisions as they relate to the preparation and review of the budget of the Department of Educational and Cultural Services.

The procedure followed is for a budget to be prepared by the Commissioner and staff and submitted to the State Board of Education for approval. After State Board action is taken, the budget is submitted to the Governor and Department of Administration for consideration and recommendation to the Legislature. A repeal for review of an allocation may be made to the State Board of Education whose decision shall be final.

C. Specific Non-Revenue Requirements for Local Participation

--district structure - There are no specific requirements in the act or other statutes.

--program offering - No requirements other than those in existing law were imposed. All programs require approval of the Commissioner.

II. State Aids Distributed Separately From Principal State Aid Programs

--The act equalizing the financial support of school units combines all State assistance programs for both operation and capital outlay in this one measure. All previous special subsidy programs; such as driver education, special education, transportation and vocational education were eliminated.
Other Related Provisions

The act contains no new provisions relative to teacher negotiations, educational accountability and State-local financial control. Teacher negotiations and determination of salaries and working conditions has been and remains a local prerogative.

The Department of Educational and Cultural Services has sponsored and developed a program of testing similar to that undertaken by the Commission of the States and has involved local units in such studies.

No substantial change is made in the division of responsibility for operation of schools between the State and local units.

PART III.

Effect on Selected School Districts

Effect on Selected Districts by Enrollments

Larger Districts - 2000 pupils and above

<table>
<thead>
<tr>
<th>Unit</th>
<th>Enrollment</th>
<th>State Aid Present Law</th>
<th>State Aid 1974-1975</th>
<th>Increase or Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portland</td>
<td>13064.5</td>
<td>$2,199,384</td>
<td>$3,792,562</td>
<td>$1,593,178</td>
</tr>
<tr>
<td>Lewiston</td>
<td>6937.0</td>
<td>1,183,819</td>
<td>1,110,344</td>
<td>(73,475)</td>
</tr>
<tr>
<td>Bangor</td>
<td>6836.5</td>
<td>1,413,007</td>
<td>2,438,867</td>
<td>1,025,860</td>
</tr>
<tr>
<td>So. Portland</td>
<td>5708.0</td>
<td>838,799</td>
<td>1,973,328</td>
<td>1,134,529</td>
</tr>
<tr>
<td>Waterville</td>
<td>3648.5</td>
<td>1,167,565</td>
<td>1,671,740</td>
<td>504,175</td>
</tr>
<tr>
<td>Winslow</td>
<td>2087.0</td>
<td>392,287</td>
<td>514,949</td>
<td>122,662</td>
</tr>
</tbody>
</table>

Explanation: Maine has only 25 school units with enrollments of 2,000 or above. All of the larger units except the City of Lewiston would receive substantial increases in State aid in fiscal 1974-1975.
### Medium Size Districts - 1000 to 1999 pupils

<table>
<thead>
<tr>
<th>Unit</th>
<th>Enrollment</th>
<th>State Aid Present Law</th>
<th>State Aid 1974-1975</th>
<th>Increase or Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lisbon</td>
<td>1983.0</td>
<td>$643,300</td>
<td>$804,327</td>
<td>$161,027</td>
</tr>
<tr>
<td>Madawaska</td>
<td>1923.0</td>
<td>314,869</td>
<td>572,895</td>
<td>258,026</td>
</tr>
<tr>
<td>Bucksport</td>
<td>1055.0</td>
<td>128,604</td>
<td>5,534</td>
<td>(134,138)</td>
</tr>
<tr>
<td>Falmouth</td>
<td>1682.0</td>
<td>258,149</td>
<td>689,319</td>
<td>431,170</td>
</tr>
<tr>
<td>Old Orchard Beach</td>
<td>1423.0</td>
<td>230,113</td>
<td>273,045</td>
<td>42,932</td>
</tr>
<tr>
<td>York</td>
<td>1443.5</td>
<td>139,111</td>
<td>(14,421)</td>
<td>(153,532)</td>
</tr>
</tbody>
</table>

Explanation: There are 38 units in the state with an enrollment from 1,000 to 1,999. The districts selected are geographically distributed and are representative of industrial, coastal, resort and agricultural areas. Only four of the 38 districts in this enrollment group will receive less subsidy in 1974-1975.

### Small Districts - 500 to 999 Pupils

<table>
<thead>
<tr>
<th>Unit</th>
<th>Enrollment</th>
<th>State Aid Present Law</th>
<th>State Aid 1974-1975</th>
<th>Increase or Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wiscasset</td>
<td>629.0</td>
<td>$28,367</td>
<td>$(997,705)</td>
<td>$(1,026,072)</td>
</tr>
<tr>
<td>Baileyville</td>
<td>569.5</td>
<td>37,716</td>
<td>44,922</td>
<td>7,206</td>
</tr>
<tr>
<td>China</td>
<td>601.5</td>
<td>149,850</td>
<td>218,610</td>
<td>68,760</td>
</tr>
<tr>
<td>Vassalboro</td>
<td>768.5</td>
<td>268,158</td>
<td>381,777</td>
<td>113,619</td>
</tr>
<tr>
<td>Medway</td>
<td>525.0</td>
<td>309,058</td>
<td>380,788</td>
<td>71,730</td>
</tr>
<tr>
<td>Orrington</td>
<td>799.0</td>
<td>236,538</td>
<td>343,025</td>
<td>106,487</td>
</tr>
</tbody>
</table>

Explanation: There are 52 units with enrollments between 500 and 999. All but four gain in State aid in 1974-1975. The case of Wiscasset given above is explained by high valuation due to a power generating plant and an atomic energy plant.
Maine is a State with many very small districts. 380 of a total of 495 units having less than 500 pupils and 140 with less than 100 pupils, and 85 with 50 or fewer pupils.

**Effect on Selected School Districts by Valuation Per Pupil**

**Wealthiest Group - highest third valuation per pupil**

<table>
<thead>
<tr>
<th>Unit</th>
<th>Valuation Rank</th>
<th>Valuation Per Pupil</th>
<th>State Aid Present Law</th>
<th>Projected Aid 1974-1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wiscasset</td>
<td>16</td>
<td>$290,302</td>
<td>$28,367</td>
<td>($1,026,072)</td>
</tr>
<tr>
<td>Castine</td>
<td>27</td>
<td>108,928</td>
<td>9,065</td>
<td>15,775</td>
</tr>
<tr>
<td>Mt. Desert</td>
<td>30</td>
<td>104,240</td>
<td>25,553</td>
<td>(191,743)</td>
</tr>
<tr>
<td>Raymond</td>
<td>31</td>
<td>102,216</td>
<td>22,300</td>
<td>(31,472)</td>
</tr>
<tr>
<td>Baileyville</td>
<td>49</td>
<td>81,574</td>
<td>37,716</td>
<td>44,922</td>
</tr>
<tr>
<td>Boothbay Harbor (38)</td>
<td></td>
<td>84,510</td>
<td>28,247</td>
<td>(89,153)</td>
</tr>
</tbody>
</table>

**Middle Group - middle third valuation per pupil and minimum of 100 pupils**

<table>
<thead>
<tr>
<th>Unit</th>
<th>Valuation Rank</th>
<th>Valuation Per Pupil</th>
<th>State Aid Present Law</th>
<th>Projected Aid 1974-1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Town</td>
<td>170</td>
<td>$31,426</td>
<td>$407,586</td>
<td>$754,997</td>
</tr>
<tr>
<td>Bath</td>
<td>183</td>
<td>21,118</td>
<td>684,474</td>
<td>967,386</td>
</tr>
<tr>
<td>-nobscot</td>
<td>190</td>
<td>27,052</td>
<td>45,145</td>
<td>77,703</td>
</tr>
<tr>
<td>Headfield</td>
<td>206</td>
<td>26,098</td>
<td>105,317</td>
<td>196,822</td>
</tr>
<tr>
<td>Woolwich</td>
<td>229</td>
<td>24,206</td>
<td>117,376</td>
<td>182,964</td>
</tr>
<tr>
<td>Eastport</td>
<td>251</td>
<td>22,342</td>
<td>109,070</td>
<td>164,886</td>
</tr>
<tr>
<td>Orrington</td>
<td>280</td>
<td>20,276</td>
<td>236,538</td>
<td>343,025</td>
</tr>
<tr>
<td>Lisbon</td>
<td>312</td>
<td>18,014</td>
<td>643,300</td>
<td>804,327</td>
</tr>
<tr>
<td>Sabattus</td>
<td>326</td>
<td>17,474</td>
<td>146,318</td>
<td>190,727</td>
</tr>
<tr>
<td>Unit Rank</td>
<td>Per Pupil Valuation</td>
<td>Valuation Per Pupil</td>
<td>State Aid 1973-1974</td>
<td>Projected State Aid 1974-1975</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------</td>
<td>---------------------</td>
<td>----------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Allagash</td>
<td>406</td>
<td>$12,596</td>
<td>$76,049</td>
<td>$92,574</td>
</tr>
<tr>
<td>Bradley</td>
<td>418</td>
<td>12,208</td>
<td>150,783</td>
<td>179,663</td>
</tr>
<tr>
<td>Caswell</td>
<td>493</td>
<td>5,812</td>
<td>121,584</td>
<td>139,830</td>
</tr>
<tr>
<td>Chelsea</td>
<td>428</td>
<td>11,436</td>
<td>196,318</td>
<td>201,299</td>
</tr>
<tr>
<td>Glenburn</td>
<td>429</td>
<td>11,436</td>
<td>204,787</td>
<td>222,784</td>
</tr>
<tr>
<td>Medway</td>
<td>461</td>
<td>9,258</td>
<td>309,058</td>
<td>380,788</td>
</tr>
</tbody>
</table>
Effect of Tax Reform Law on Selected Municipalities Tax Effort

The following table shows the close relationship of high property taxes for municipal and school purposes and the tax relief possible under the reform act. It should be noted that 15 of the 19 municipalities listed reported 1972 school tax rates below the 1972 State average but that 11 of these 15 units would still gain tax relief.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Total Municipal Tax Effort 1972</th>
<th>Education Tax Effort 1972</th>
<th>Estimated Per Cent Tax Relief or (Increase) 1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>Van Buren</td>
<td>41.38</td>
<td>19.8</td>
<td>22.58</td>
</tr>
<tr>
<td>Bangor</td>
<td>40.32</td>
<td>17.0</td>
<td>17.31</td>
</tr>
<tr>
<td>Houlton</td>
<td>38.95</td>
<td>19.7</td>
<td>20.76</td>
</tr>
<tr>
<td>Cape Elizabeth</td>
<td>36.87</td>
<td>31.5</td>
<td>30.39</td>
</tr>
<tr>
<td>Portland</td>
<td>36.46</td>
<td>16.9</td>
<td>9.13</td>
</tr>
<tr>
<td>Auburn</td>
<td>34.56</td>
<td>17.6</td>
<td>20.40</td>
</tr>
<tr>
<td>Fort Kent</td>
<td>32.58</td>
<td>18.6</td>
<td>19.64</td>
</tr>
<tr>
<td>Augusta</td>
<td>32.29</td>
<td>15.2</td>
<td>10.50</td>
</tr>
<tr>
<td>South Portland</td>
<td>31.21</td>
<td>17.8</td>
<td>16.70</td>
</tr>
<tr>
<td>Old Town</td>
<td>31.19</td>
<td>17.5</td>
<td>18.44</td>
</tr>
<tr>
<td>Lewiston</td>
<td>28.22</td>
<td>14.9</td>
<td>2.15</td>
</tr>
<tr>
<td>Biddeford</td>
<td>28.82</td>
<td>14.7</td>
<td>5.36</td>
</tr>
<tr>
<td>Millinocket</td>
<td>25.28</td>
<td>14.1</td>
<td>4.60</td>
</tr>
<tr>
<td>East Millinocket</td>
<td>20.55</td>
<td>11.9</td>
<td>(13.56)</td>
</tr>
<tr>
<td>Jay</td>
<td>17.38</td>
<td>12.9</td>
<td>(22.13)</td>
</tr>
<tr>
<td>York</td>
<td>15.20</td>
<td>8.4</td>
<td>(4.05)</td>
</tr>
<tr>
<td>Wiscasset</td>
<td>13.32</td>
<td>6.3</td>
<td>(24.09)</td>
</tr>
<tr>
<td>State Average</td>
<td>27.49</td>
<td>18.5</td>
<td>20.00</td>
</tr>
</tbody>
</table>
PART IV
Legal Implications

Previous Maine laws for financing education appeared to involve the same problems and contained many similarities to the laws of California which were found inequitable and unconstitutional. The description of the disparities in property taxation between Beverley Hills and Hollywood were duplicated many times over in Maine. Prior to the passage of the new law citizens living in the poorer units were being deprived of property and equality of taxation contrary to the 14th Amendment to the United States Constitution.

The similarities to conditions found in the Serrano v. Priest case indicated that in Maine:
1. The quality of education became a function of the wealth of the citizenry.
2. The quality of education was effected by geographical location.
3. The present system of taxation failed to meet the needs of all children.
4. Some children were advantaged overall.
5. The system did not provide equal resources.
6. The system tended to perpetuate marked differences.
7. Taxpayers in some districts were required to pay a higher rate than those in other systems in order to obtain the same or a lower level of education.

The Maine system of support of education was challenged in the superior court in the case LeHaye v. Maine School Administrative District #3. No action was taken awaiting the outcome of the Texas appeal to the United States Supreme Judicial Court and the opportunity for State legislative action.
While the LeHaye case was not stressed by proponents of tax revision, it undoubtedly was in the minds of legislators when they considered tax reform.

The measure enacted with its provision for uniform application of a property tax based on State valuation was designed and would appear to remove any doubt about the constitutionality of Maine law relative to the support of schools and be in conformity with Section 1 of Article XIV of the United States Constitution which provides that no person shall be deprived of life, liberty or property without due process of law, nor be denied equal protection under the law.
Bibliography


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Ferris, Robert, Statement Supporting An Act to Fund the Cost of Public School Education From State Sources, April 10, 1972.


Starkey, Glenn W., *Maine, Its History Resources and Government*.

AN ACT Equalizing the Financial Support of School Units.

Re it enacted by the People of the State of Maine, as follows:

Sec. 1. R. S., T. 20, c. 510, additional. Title 20 of the Revised Statutes is amended by adding a new chapter 510 to read as follows:

CHAPTER 510
FUNDING OF PUBLIC SCHOOLS

§ 3711. Intent

It is declared to be the intent of the Legislature to reduce the burden of education program costs in public schools which are borne by the property tax to 40% and to provide 60% of the total cost of education from state tax sources. The Legislature intends to implement the program over a 3-year period — 50% State, 50% local in 1974-75 and thereafter. It is further declared to be the intent of the Legislature to finance the 40% property tax share through a uniform property tax rate applied to all administrative units alike. The uniform property tax as described in sections 451 and 453 of Title 36 shall be implemented during the same 3-year period to minimize the impact on local property taxes in any one year. The Legislature intends that a limit be placed upon additional local taxes that may be imposed on property for school purposes, thus encouraging more efficient management of the available resources.

§ 3712. Definitions

The following definitions shall apply to state and administrative units' computations under this chapter.

1. Operating costs. Elementary or secondary operating costs shall include all costs, except transportation, community services, capital outlay and del-service, reduced by tuition receipts, expenditures from all federal revenue sources and expenditures for special and vocational education programs as defined in subsection 4.

2. Average elementary per pupil operating costs. Elementary grades shall include a childhood educational program as defined by section 859, through grade 8. Average elementary per pupil operating costs shall be computed by dividing elementary operating costs by the average number of resident elementary pupils, excluding those students in special education programs, on October 1st and April 1st in the unit in the same fiscal year, July 1st to June 30th. Those average costs so computed shall be used in the distribution of funds to the local units for the succeeding fiscal year.

3. Average secondary per pupil operating costs. Secondary grades shall mean grades 9 through 12. Average secondary per pupil operating costs shall
be computed by dividing secondary operating costs by the average number of resident secondary pupils, excluding full-time students in special and vocational education programs, on October 1st and April 1st in the unit in the same fiscal year, July 1st to June 30th. Any student graduating from grade 12 during the school year prior to April 1st shall be counted as though he were in attendance on April 1st of that year. Those average costs so computed shall be used in the distribution of funds to the local units for the succeeding fiscal year.

4. Excess costs. Excess costs are expenditures made by local units for special and vocational education programs.

5. Special education programs for subsidy purposes. Special education, for subsidy purposes, shall include programs which have been approved by the commissioner for children with special needs.

6. Vocational education for subsidy purposes. Vocational education, for subsidy purposes only, shall mean training in trade, industrial, agricultural, technical and service occupations. It shall not include business education, consumer education or home economics programs.

7. Year. Year means a fiscal year starting July 1st and ending June 30th of the succeeding year.

8. School aid payments. School aid payments shall be made directly to the treasurer of each administrative unit and shall be based upon the number of resident pupils educated at public expense and contingent expenditures as outlined in this chapter based upon audited financial reports submitted by the various administrative units.

9. Appeals. The computation of aid for any unit may be appealed in writing to the State Board of Education by the school committee or board of directors of any school unit within 30 days from the date of notification of the computed amount. The board shall review the appeal and make an adjustment, if in its judgment such an adjustment is fully justified. The board's decision shall be final as to facts supported by the records of the appeal.

§ 3713. Computation of unit allocations

In the year prior to the convening of the Legislature, a sum of money shall be recommended by the State Board of Education to the Bureau of the Budget, said sum to equal the estimated cost of education for each year. This sum should reflect the board's best estimate as to changes in pupil enrollment, economic factors and other considerations which might effect a change in the costs of education. The board shall be ever conscious of the need for prudent restraint in educational financing. Fifty percent of the sum shall come from state sources and 50% of the sum from the uniform property tax in 1974-75 and thereafter. The Bureau of the Budget shall include this recommended amount in the Part I budget.

The basis of allocation of funds to each unit shall be computed as follows:

1. The average number of resident pupils educated at public expense on October 1st and April 1st of each school year, excluding full-time students in vocational education and special education programs, shall be used in the computation of aid as follows:

   A. Multiply the average number of resident elementary pupils in the unit by the state average elementary per pupil cost. The amount to be distributed for the 1974-75 fiscal year only shall be $600 per pupil;

   B. Multiply the average number of resident secondary pupils in the unit by the state average secondary per pupil cost. The amount to be distributed for the 1974-75 fiscal year only shall be $915 per pupil;
C. Compute the operating cost for special education programs in the preceding year;

D. Compute the operating cost for vocational education programs in the preceding year;

E. Record expenditures of the preceding year for transportation of pupils. Reimbursement for such expenditures shall be limited to an amount not in excess of a 7% increase over the preceding year, except said limitation shall not apply to units that did not, in the preceding year, provide transportation for all students living beyond a reasonable walking distance from school;

F. Record the expenditures of the preceding year for capital outlay projects approved by the local unit and the State Board;

G. Record the expenditures of the preceding year for debt service projects which have been approved by the local unit and the State Board.

2. Total the amounts computed and recorded for subsection 1, paragraphs A to G. The sum thus obtained shall become the basis for allocation to the unit, subject to adjustments as defined below. If the unit's allocation exceeds the uniform property tax as set forth in Title 36, section 451, the commissioner shall authorize such payments minus the tax levied under Title 36, sections 451 and 453.

3. Adjustments to the allocation in subsection 1, paragraph A and subsection 1, paragraph B may be made as follows:

A. If the per pupil operating cost in the unit for the preceding year was less than the state average elementary or secondary per pupil operating cost, the per pupil allocation for elementary or secondary pupils respectively shall be increased by 2/3 of the difference between the per pupil operating cost of the unit and the state average elementary or secondary per pupil operating cost respectively;

B. If the per pupil operating cost in the unit for the preceding year is above the state average elementary or secondary per pupil operating cost, the per pupil allocation for elementary or secondary pupils respectively shall be frozen at 2/3 of the difference between the state average elementary or secondary per pupil operating cost respectively and the local average elementary or secondary per pupil operating cost respectively expended during the 1973-74 school year or the state elementary or secondary average per pupil allocation respectively, whichever is greater. Each unit may appropriate additional local funds to maintain its average elementary or secondary per pupil operating costs as computed for the 1973-74 school year;

C. If the unit is declared to be geographically isolated by the State Board of Education, the board shall adjust, at its discretion, the per pupil allocation to that unit to meet the educational needs of that unit, except that no adjustments shall be made until the local additional appropriations, as specified in subsection 7, have been used and are shown to be inadequate;

D. When a unit enrolls pupils who reside on land under control of the Federal Government, or any agency thereof, or on a Federal Military Reservation, such pupils shall not be considered as resident pupils for subsidy purposes. Special but special arrangements may be made by the State or any
school administrative unit, or both, to provide elementary and secondary
school privileges in cooperation with the United States Government for a
child or children residing on land under control of the Federal Government,
or any agency thereof, or on a Federal Military Reservation. It is the
intention of the Legislature that such special arrangements shall fully pro-
tect the rights of all pupils and shall protect the municipalities against the
necessity of additional local appropriations because of federal pupils. Every
unit eligible to receive assistance in federally affected areas shall annually
file application to receive such funds. The State Board of Education may
withhold and from any unit which fails to apply for federally impacted area
funds for which the unit is eligible.

E. Whenever a unit's school tax rate for the preceding year is less than
the school tax rate determined by the State Tax Assessor as required in
sections 451 and 453 of Title 36 and the sum levied by the State Tax As-
soever is greater than the unit's school tax rate of the preceding year by
more than 2½ mills on state valuation adjusted to 100%, the unit's alloca-
tion shall be adjusted as set forth below. A unit's school tax rate shall be
determined by dividing the amount appropriated for school purposes from
property taxes, less any adjustment made under this subsection, by state
valuation adjusted to 100%.

To the unit's allocation as determined in subsection a and this subsection,
shall be added a sum equal to the difference between the unit's school ap-
propriation of the preceding year plus 2½ mills and the amount required by
the State Tax Assessor in Title 36, sections 451 and 453. A unit's school	tax rate as adjusted under this subsection shall be used in determining
whether or not future adjustments shall be made in subsequent years. Any
adjustment paid to a unit as a result of this subsection shall be credited to
the general fund of the unit and may be used for municipal purposes upon
proper authorization by that unit. An adjustment under this subsection is
not subject to subsections b and 9.

4. Allocations in the months of July through November shall be based on
the October 1st and April 1st average number of resident pupils of the pre-
ceding year.

5. Allocations in the months of July through November shall be based on
the state average per pupil operating cost of the and year preceding alloca-
tion adjusted by a 7½% increase.

6. Allocations shall be subsequently adjusted to give each unit its proper
allocation based upon the preceding year's state average cost and the number
of resident pupils in the current year.

7. The legislative body of the administrative unit may, in addition to any
local funds raised and appropriated under subsection 3, paragraph B, author-
tize an additional expenditure per pupil for either elementary or secondary
pupils, or both, not to exceed a local appropriation of 2½ mills on the state
valuation of the unit adjusted to 100% valuation. If the additional school
levy authorized under this section fails to produce $50 per pupil per mill
levied, the commissioner shall add to the unit's appropriation the sum which, when combined with the local levy, shall equal $50 per pupil per mill; said sum may be paid during the last
month of the unit's fiscal year.

Whenever a unit
has authorized an additional school levy under this section, it shall pay to the
Treasurer of State that part of its appropriation which is in excess of $50,
multiplied by the average number of pupils on October 1st and April 1st of
the preceding year, times the authorized additional local school mill levy.
The remaining sum shall be credited to the treasurer of the administrative
unit.

8. Notwithstanding any other public or private statute to the contrary,
all money allocated for school purposes must be expended for school purposes
only.

9. Balances of allocations at the end of the year may be carried forward
to meet the next year's school needs in an amount not to exceed 10% of the
allocation of the year just completed. Any excess above this amount
Sec. 1. R. S., T. 20, § 120, amended. Section 230 of Title 20 of the Revised Statutes, as amended by section 2 of chapter 425 of the public laws of 1967, is further amended by adding at the end the following:

Each unit shall file with the commissioner a description of the transportation services provided in that unit during the 1973-74 school year. Such a description shall be in the format which the commissioner shall prescribe. Additional transportation services and the purchase of new buses shall be accomplished in the most economical manner that is consistent with the welfare and safety of pupils.

Sec. 2. R. S., T. 20, § 358, amended. Section 358 of Title 20 of the Revised Statutes is amended by adding a new paragraph at the end to read as follows:

Each unit shall file with the commissioner a description of the transportation services provided in that unit during the 1973-74 school year. Such a description shall be in the format which the commissioner shall prescribe. Additional transportation services and the purchase of new buses shall be accomplished in the most economical manner that is consistent with the welfare and safety of pupils.

Sec. 3. R. S., T. 20, § 3561, amended. Section 3561 of Title 20 of the Revised Statutes, as amended, is further amended by adding at the end the following:

Each unit shall file with the commissioner a description of the transportation services provided in that unit during the 1973-74 school year. Such a description shall be in the format which the commissioner shall prescribe. Additional transportation services and the purchase of new buses shall be accomplished in the most economical manner that is consistent with the welfare and safety of pupils.

Sec. 4. R. S., T. 20, c. 512, repealed. Chapter 512 of Title 20 of the Revised Statutes, as enacted by section 2 of chapter 496 of the public laws of 1967, and as amended, is repealed.

Sec. 5. R. S., T. 36, § 451, repealed and replaced. Section 451 of Title 36 of the Revised Statutes, as amended, is repealed and the following enacted in place thereof:

§ 451. Rate of tax

The Commissioner of Educational and Cultural Services, with the approval of the State Board of Education, shall annually, prior to February 15th, certify to the State Tax Assessor 50% of the estimated total public school education costs in 1973-74 and thereafter, for the current school year to be completed. For the necessary expenses of local and state government, a tax is assessed at a rate that is equivalent to 50% in 1973-74 and thereafter, of the estimated total state public school education costs divided by the total of the most recent state valuation adjusted upward to the nearest quarter mill as filed under section 381 to 100% valuation plus 7 1/4 mills on the dollar applied to a 100% valuation for the property tax year commencing April 1, 1974; 9 3/4 mills effective April 1, 1975; 10 3/4 mills effective April 1, 1976; 12 3/4 mills effective April 1, 1977; and 13 3/4 mills effective April 1, 1978 and every year thereafter upon each municipality, township and each lot and parcel not included in any township in the State. In any event, such rate shall never exceed whatever shall from time to time be the weighted average municipal tax rate. The "weighted average municipal tax rate" means the total municipal property taxes levied state-wide for the previous year, as determined by the State Tax Assessor from the annual return of municipal assessors pursuant to section 383, divided by the state valuation of municipalities in effect for the previous year adjusted to a 100% basis. The valuation as determined by the State Tax Assessor, as set forth in the statement filed by him as pro-
vided by section 381, shall be the basis for the computation and apportion-
ment of the tax assessed.

Sec. 7. R. S., T. 36, § 453, repealed and replaced.  Section 453 of Title 36
of the Revised Statutes, as amended by section 7 of chapter 616 of the public
laws of 1971, is repealed and the following enacted in place thereof:

§ 453. Payment of state tax by municipalities

The Treasurer of State, in his said warrants, shall require the said mayor
and aldermen, selectmen or assessors, respectively, to pay or to issue their
several warrants requiring the collectors of their several municipalities to
collect and to pay to the treasurers of their respective municipalities the sums
against said municipalities required by this subchapter.

Said municipal treasurer shall pay to the Treasurer of State a sum equiva-
 lent to that portion of the tax levied under section 451 which is based upon a
percentage of public school education costs which exceeds the allocation to
the unit as computed under Title 30, section 3713.  Said municipal treasurer
shall pay to the treasurer of the School Administrative District or community
school district in quarterly installments that portion of the tax levied under
section 451 of public school education costs which is not in excess of the al-
location to the unit as computed under Title 30, section 3713.

The balance of the sums so assessed in each municipality shall be disbursed
by the treasurer thereof for necessary expenses of local government as de-
determined or appropriated for the public welfare within the purposes specified
in Title 30, which Title sets forth these purposes for the public welfare for
which municipalities are themselves authorized to raise money by taxation.
For the year 1974, the municipal treasurer shall pay ¾ the sum provided for
in this section to the Treasurer of State.  Payments in 1974 shall be in equal
installments payable on or before the last day of September and the last day
of December.  For the year 1975 and thereafter, payments shall be made to
the Treasurer of State in equal quarterly installments payable on or before
the 15th day of March, June, September and December.

Sec. 8. R. S., T. 36, § 89t-A, additional.  Title 36 of the Revised Statutes
is amended by adding a new section 89t-A to read as follows:

§ 89t-A. School subsidies withheld from delinquent municipalities

When any state tax assessed upon any city, town or plantation remains un-
paid, such city, town or plantation may be precluded from drawing from the
Treasurer of State the school subsidy set apart for such city, town or planta-
tion so long as such tax remains unpaid.

Sec. 9. R. S., T. 20, § 2393, repealed.  Section 1293 of Title 20 of the
Revised Statutes, as repealed and replaced by chapter 221 of the public laws
of 1971, is repealed.

Sec. 10. R. S., T. 20, c. 117, repealed.  Chapter 117 of Title 20 of the
Revised Statutes, as last repealed and replaced by section 25 of chapter 530 of
the public laws of 1965, as amended, is repealed.

Sec. 11. R. S., T. 20, § 2356-B, sub-§ 1, amended.  The first paragraph of
sub-section 1 of section 2356-B of Title 20 of the Revised Statutes, as enacted
by section 3 of chapter 440 of the public laws of 1965, is amended to read as
follows:

The cost of constructing and equipping a building or buildings to be used for
the maintenance and operation of a regional technical and vocational center
shall be reimbursed to the unit in accordance with sections 3457 to 3460.
Sec. 12. R. S., T. 20, § 2356-B, sub-§ 2, amended. The first sentence of subsection 2 of section 2356-B of Title 20 of the Revised Statutes, as enacted by section 3 of chapter 440 of the public laws of 1965, is amended to read as follows:

Two-thirds of the excess cost of instruction as defined in section 3711 in approved technical and vocational classes maintained on the secondary level through grade 12 and approved part-time and evening classes for out-of-school youth and adults shall be reimbursed.

Sec. 13. R. S., T. 20, § 2405, amended. Section 2405 of Title 20 of the Revised Statutes, as repealed and replaced and as amended, is further amended by adding at the end a new sentence to read as follows:

Authorization to reimburse units for programs operated under this section is rescinded effective January 1, 1974.

Sec. 14. R. S., T. 20, § 3456, repealed and replaced. Section 3456 of Title 20 of the Revised Statutes, as amended, is repealed and the following enacted in place thereof:

§ 3456. Reorganized districts

Reorganized districts shall maintain:

1. Program. A program which includes kindergarten through grade 12;

2. Secondary facility. Whenever a district enrolls more than 700 pupils in grades 9 through 12, said district may operate more than one 4-year school. Whenever a district enrolls fewer than 700 pupils in grades 9 through 12, it must house the pupils in grades 10 through 12 in one facility within 4 years from the date of the district's formation. A district may meet the requirement of providing a secondary facility by contracting with another unit or with a private academy for a term of from 5 to 20 years. Said facilities may be constituted as 4-year schools, or combined with grades 7 and 8 to form a 6-year school or 2 or more 3-year schools, except for children living remote from a public school as provided in section 910.

Sec. 15. R. S., T. 20, § 3457, amended. Table II of section 3457 of Title 20 of the Revised Statutes, as enacted by section 2 of chapter 475 of the public laws of 1965 and as repealed and replaced by section 3 of chapter 500 of the public laws of 1971, is repealed and the following enacted in place thereof:

TABLE II

Each administrative unit shall be reimbursed the sums expended for capital outlay projects which have been approved in accordance with sections 3457 to 3460, or any projects which have been approved by the commissioner. The unit shall be reimbursed the amount of debt service which has been incurred on all approved school construction projects. Construction reimbursements shall be scheduled so that payments may be made in accordance with the payment schedules established by the administrative units.

It is the intention of the Legislature, as expressed in section 3711, that 50% of the cost of construction shall be paid from a uniform property tax assessed against all the municipalities in the State and that 50% of the cost of construction shall be paid from nonproperty tax revenues with the program being implemented over a 3 year period 50% State, 50% local in 1974-75 and thereafter.

Sec. 16. Appropriation. There is appropriated to the Department of Educational and Cultural Services the sum of $80,512,778 for the fiscal year ending June 30, 1975, to carry out the purposes of this Act.
EDUCATIONAL & CULTURAL SERVICES,
DEPARTMENT OF

From the General Fund $89,512,778

Sec. 17. Effective date. This Act shall become effective January 1, 1974, except for payment of aid to administrative units, which shall become effective July 1, 1974.

In House of Representatives, 1973
Read twice and passed to be enacted.

Speaker

In Senate, 1973
Read twice and passed to be enacted.

President

Approved, 1973

Governor
Suggested Procedures and Guidelines for the Implementation of the School Subsidy Reform Measure
(Chapter 556 of the Public Laws of 1973, as Amended by Chapter 571, Sections 52d, e, and f)

1. Prior to February 15 of each year the Commissioner shall certify to the State Tax Assessor 50% of the estimated total cost of education in grades K to 12 in the current school year.

2. The State Tax Assessor shall set a tax rate, on State valuation adjusted to 100%, that will produce 50% of the estimated total education cost as certified by the Commissioner.

3. The Treasurer of State shall issue warrants requiring local assessors to issue and serve warrants to collect and pay to the local treasurers the sums assessed.

4. If the uniform tax rate set by the State Tax Assessor for school purposes raises more than the school allocation, the treasurer of the municipality shall pay to the Treasurer of State, in quarterly installments, the amount of the excess. Installments are payable on or before the 15th of March, June, September and December. (1974 payments will be made the last day of September and the last day of December.)

4a. If the uniform tax rate set by the State Tax Assessor is more than 2½ mills above the previous year's school tax rate, the amount raised in excess of the 2½ mill increase shall be returned to the municipality for municipal use. That part of the allocation that is returned for municipal use must be clearly identified. (I would suggest that separate checks be drawn for units receiving such allocation, i.e. such payments not be mixed in with the school allocation.)

5. If the tax raises less than the school allocation, the municipal treasurer shall pay the sums as required on proper authorization of local officials to be expended for school purposes.

6. In October of each year the Commissioner will notify each unit of its estimated allocation. Such an allocation will be adjusted during the year of payment to reflect current school enrollments and the actual costs of the preceding year. Superintendents and boards must project enrollments and expenditures as carefully as possible to make certain that estimated revenues are projected within a reasonable tolerance.

7. Monies to operate schools in the first six months of calendar 1974 will be raised in the usual fashions using the usual appropriate articles and procedures. School committees and school directors will need authorization under appropriate articles to expend the allocation of State funds and local funds available through the uniform State tax to cover the last six months of the calendar year 1974, or that part of the 1974-1975 allocation that coincides with the unit's fiscal year.
7a. If a unit needs to appropriate an additional sum to maintain its average elementary or secondary per pupil operating cost as computed for the 1973-1974 school year, it may do so outside of the uniform tax set by the State Tax Assessor and outside of the 2½ mills leeway provided in Section 3713, sub-section 7.

8. If a unit wishes to raise money for new programs or to meet increased costs in excess of its per pupil allocation, it may raise whatever is authorized by the legislative body up to 2½ mills on State valuation adjusted to 100%. For each mill thus appropriated, the unit is guaranteed $50 per adjusted resident pupil. Example: If a mill raises $10 per pupil, the State will contribute from the subsidy allocation an additional $40. If a mill raises $75 per pupil, the unit may expend $50 per pupil and must forward the remaining $25 per pupil to the State Treasurer to be credited to the general fund.

9. Transportation of Pupils

9a. Approved transportation expenditures will be reimbursed in the year following expenditure.

9b. Each unit must file with the Commissioner a description of the transportation services provided in that unit during the 1973-1974 school year.

9c. Bus purchases and replacements shall be approved as capital outlay projects with due regard to the age, mileage, and condition of busses being replaced.

9d. Bus purchases and replacements must be accomplished through standard bid procedures and within bus specifications approved by the Commissioner with appropriate options to meet local needs.

9e. Any operating transportation expense that is in excess of 107% of the previous year's costs is not reimbursable.

9f. Limitation in 9e. does not apply to those expenditures incurred by the unit for adding new transportation services. Example: Expenditures for transporting secondary school students in units where they were not transported in the previous year would be excluded from the 7% limitation.

10. Special education programs. Expenditures made for students in approved special education programs shall be reimbursed in the fiscal year following the expenditure.

10a. Expenditures made for special education students without obtaining necessary State Department approval will not be reimbursed.

11. Vocational education expenditures. Expenditures made for vocational education programs which have been approved by the State Board of Education in the regional technical and vocational centers shall be reimbursed in the fiscal year following the expenditure.
11a. Expenditures made for home economics, business education and consumer education programs are not reimbursable as part of the vocational education reimbursements. Such expenditures shall become a part of the secondary per pupil operating costs in the unit and will be reimbursed as a part of the secondary per pupil operating costs. Any vocational education program operating outside of a regional center will be counted as a part of the secondary per pupil operating cost and will be subsidized accordingly.

11b. Beginning in the fall of 1974, students will be permitted to attend vocational programs without paying tuition. Since the vocational expenditures are completely reimbursable, it will no longer be necessary to charge tuition except for students attending private schools from out of state or students attending private or public schools at parental expense.

12. School construction reimbursements

A. Standards and Limitations Imposed by the State

1) Project must be consistent with "Guide and Standards for Planning School Buildings in Maine."

2) Site acquisition, unless special conditions are recognized, shall be limited in size as follows:

a) For elementary schools - 10 acres plus 1 acre for each 100 pupils.
b) For secondary schools - 20 acres plus 1 acre for each 100 pupils.

3) Any site to be used for school purposes must be approved for the current intended use by both the local board of education (or District Trustees) and the State Board of Education prior to becoming eligible for construction aid.

4) Site acquisition costs submitted for reimbursement shall reflect the actual purchase price regardless of when purchased.

5) Anticipated financing of major construction projects shall conform to current State established minimums and/or maximums in terms of annual payments, bond or note repayment schedules, and rates of interest.

6) The local unit shall explore and utilize any available federal funds for which a construction project may qualify.

7) Construction projects identified by the State as reflecting marked increases over current average costs on a per pupil basis, a per square foot of construction basis, or based on per square foot costs of the total project shall need
B. Validation of Local Need for Project

1) Evidence of need by reason of school population change.
   a) Current housing problem (class sizes, double sessions, etc.)
   b) Enrollment increases projected.
   c) Unusual town or district growth pattern or school population shift.

2) Evidence of need by reason of unsuitable housing.
   a) Unsafe structures.
   b) Outmoded school buildings to be phased out.
   c) Replace undesirable or otherwise unsuitable site.

3) Evidence of need by reason of program.
   a) Needed facilities to remedy program deficiencies.
   b) Needed facilities to accommodate new programs.
   c) Special Program needs.

C. Relation of Project to Priorities Declared by State

Priorities

1) Replace unsafe buildings not feasibly repaired.

2) Eliminate instances of temporary housing.

3) Alleviate basic classroom needs of state school population.

4) Provide facilities for comprehensive programs in the schools of the state.

5) Provide facilities for ancillary programs supportive of the total school program.

6) Provide school sites suitable for meeting the needs of pupils and program.

7) Approve construction reflecting good long-range planning.

D. Consistency of project with long-range interests and needs of the area

1) Construction should answer any needs for consolidation.

2) Provide facilities designed to meet any special needs of the area.
13. **Students in special education, vocational education and students living on Federal property** will be **subtracted from the resident pupil count when computing per pupil costs of regular programs and when distributing funds to the local units.**

14. **The State Board may adjust the allocation of any unit that is declared geographically isolated whenever the local leeway provision does not provide enough funds to permit the unit to operate its schools.**
Suggested allocation worksheet for computation of unit allocations to fund public schools for 1974-75

State of Maine

Department of Education & Cultural Services

Purpose of worksheet: to aid units in computing each unit's share of the cost of the new program.

Computation of Unit Allocations for Public Schools for 1974-75

<table>
<thead>
<tr>
<th>Basis for Unit Allocation</th>
<th>1974-75</th>
<th>1975-76</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-8 Payments (1974-75)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>9-12 Payments (1974-75)</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Adjusted Average Resident Pupils

<table>
<thead>
<tr>
<th></th>
<th>1972-73</th>
<th>1973-74</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-8 Average Pupils (100%)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>9-12 Average Pupils (100%)</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Total Operating Expenditures

<table>
<thead>
<tr>
<th></th>
<th>1972-73</th>
<th>1973-74</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Tuition Paid</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Plus Federal Revenue for Operation</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>(a) Less Federal Revenue for Operation</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>(b) Less Vocational Education Expenditures</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>(c) Less Special Education Expenditures</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>(d) Less Other Expenditures for Operation</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Adjusted Operating Expenditures</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

State Average Per Pupil Cost (1973-74)

<table>
<thead>
<tr>
<th>Basis for July</th>
<th>1972-73</th>
<th>1973-74</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Pupils - October 1st</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Resident Pupils - April 1st</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>October-April Average Pupils</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Adjustment for one-year period (X 107.5%)

<table>
<thead>
<tr>
<th>Basis for July</th>
<th>1972-73</th>
<th>1973-74</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-year adjustment</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Amount Above or (Below) Average

<table>
<thead>
<tr>
<th>Basis for July</th>
<th>1972-73</th>
<th>1973-74</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ Above or (Below) Average</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>$1/3 of the Amount Above Average</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>$1/2 of the Amount Below Average</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>$ Above Average</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>$ Below Average</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>$ Amount Below Average</td>
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<td>$</td>
<td>$</td>
</tr>
<tr>
<td>$ Amount Below Average</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Computation of Unit Allocations to Fund Public Schools for 1974-75

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<thead>
<tr>
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<th>1973-74</th>
</tr>
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<tbody>
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<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
## Computation of Unit Allocations to Fund Public Schools for 1974-75

**Administrative Unit**

<table>
<thead>
<tr>
<th>Unit’s Actual</th>
<th>Adjusted Average</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>P. P. Cost</td>
<td>for 1973-74</td>
<td>October 1st pupils</td>
</tr>
</tbody>
</table>

### Elementary (K-8) Costs
- **PLUS** 1/3 of Amt.
- **LESS** 1/2 of Amt.
- Above Average
- Below Average

### Secondary (9-12)
- **PLUS** 1/3 of Amt.
- **LESS** 1/2 of Amt.

### TOTAL DISTRIBUTION FOR OPERATIONS

<table>
<thead>
<tr>
<th>P. P. Elem.</th>
<th>$</th>
<th>P. P. Sec.</th>
<th>$</th>
</tr>
</thead>
</table>

Plus:
- Special Education Expenditures
- Vocational Education Expenditures

**Operating Costs**
- Transportation Expenditures (operate)
- Capital Outlay from Current Revenues

**Debt Service**
- Interest Payments on Bonds
- Principal Payments on Bonds

### Special Education

### Transportation Expenditures

### Capital Outlay

### Debt Service

**Name of Project**

<table>
<thead>
<tr>
<th>Payment of Prin.</th>
<th>Payment of Int.</th>
</tr>
</thead>
</table>

**Special Education**

### Vocational Education

### Transportation

### Capital Outlay

### Debt Service

**1973-74**

For 1973-74

**Resident Pupils**

### Administrative Unit

**Computation of Unit Allocations to Fund Public Schools for 1974-75**
Increase or decrease in above expenditure either above or below projections to be adjusted in December payment.

TOTAL DISTRIBUTION FOR 1974-1975 (To be adjusted to 1973-74 actual expenditures)

\[
\text{State valuation adjusted to } 100\% \\
\times 0.014 \text{ or } + 0.0025
\]

NET DISTRIBUTION (1/12 each month July through November 1974) tax rate for year prior to computation to be paid to Unit to guarantee $50 per pupil October 1st.

\[
\frac{\text{one mill on state valuation}}{100} = 0.001 \\
\times 0.014 \text{ or } + 0.0025
\]

State valuation adjusted to 100%.

TOTAL DISTRIBUTION FOR 1974-1975 (To be adjusted to 1973-74 actual expenditures)

Increase or decrease in above expenditure either above or below projections to be adjusted in December payment.