

From: Maine School Administrative District No. 44 Withdrawal Subcommittee
To: Newry Withdrawal Committee
Re: Proposed Newry Withdrawal from Telstar
Date: February 25, 2015

1. Introduction

The basic question posed by a Newry withdrawal is whether Telstar schools must lose 37.5% of their local tax base support while continuing to provide Newry access to a regionally based education system. We believe that in our Telstar region the only fair way to provide a regional education system is with a regional payment system. Not only is this fair, but is also affordable to all communities.

All of the MSAD 44 member towns, including Newry, have a common interest in maintaining a high quality, regionally based education system. However, Newry's withdrawal threatens the viability of regional education in the entire Telstar region. Newry's withdrawal would, in effect, shelter over 35% of the region's tax base from support of education. This would drastically impair the quality of education for students from all MSAD 44 towns, including those from Newry.

2. Background

Maine School Administrative District No. 44 was formed in 1965 to provide a uniformly high quality, regionally based, public education for all children in the Telstar area. This could not be achieved through separate, town-based schools. MSAD 44's cost sharing formula was originally based on uniform taxation/assessment of property valuation without regard to student population, and this formula has not changed since its formation.

In 2005, the newly enacted Essential Programs and Services Funding Act provided that for purposes of determining state subsidy levels, EPS costs of education would be apportioned among municipalities within a school district based on student populations. However, at the same time, the Legislature provided that this apportionment would not apply to SAD 44 and School Administrative District No. 6. Instead the cost-sharing formulas established in these districts would remain in effect until changed by decision of the school district through an existing statutory process. The reason the Legislature allowed the status quo to continue in SAD 44 and in SAD 6 was a question of degree. Both Newry in SAD 44 and Frye Island in SAD 6 were outliers in that they had inordinately high property valuations relative to their student counts. Without an exception, the effect of the new subsidy method law would be for significant amounts of property in these districts to escape taxation for EPS costs virtually altogether, while dramatically burdening other property in those districts, an impact not intended by a change in the method of calculating the amount of subsidy.

3. Fairness

There are two reasons why Newry's school system is regionally based, instead of town-based. First, the region's economy is based on a ski industry, which has the most significant impact on

the property tax base in Newry.¹ The ski industry, however, is supported by employees who live throughout the region. MSAD 44 serves these employees' families. The economic and educational benefits are reciprocal.

Second, it would be impractical for one town to build, maintain, and operate its own schools independent of neighboring towns.

Indeed, the Newry Withdrawal Committee seeks continued access to a regionally based school system through a ten-year tuition agreement with MSAD 44 or another regional school system. At the same time, however, the Withdrawal Committee would like Newry to benefit from a town-based payment system. In other words, the Withdrawal Committee seeks the best of both worlds by de-coupling the education service system from the payment system.

This de-coupling would be unfair because it would cause property taxes to be assessed disproportionately within the region served. Because Newry needs to have its education provided by a region, it is fair and equitable that the payment system be proportional on a regional basis. Just because the law provides towns a "loophole" through the withdrawal process, it does not make that option fair or right in this case. If a change in the cost-sharing formula is the goal of the Newry Withdrawal Committee, then that change should be accomplished through an existing statutory process, which involves participation from all of the SAD 44 towns and approval by voters throughout SAD 44.

The de-coupling would also have a drastic impact on quality of education. Newry's property valuation is 37.5% of the MSAD 44 valuation. The impact of withdrawal on education will be swift and it will be severe.

In return for access to regional education services, the tax burden for Newry should be, and currently is, based on a system of tax assessment that is proportional throughout the region. By way of illustration, the current mill rate² and required property tax effort for each MSAD 44 town is as follows:

Table 1: 2014-2015 Education Mill Rate and Tax Effort Across Telstar Region³

| Town | Education Mill Rate | Cost per \$150,000 Home | Cost per \$250,000 Home |
|--------------|---------------------|-------------------------|-------------------------|
| Bethel | 6.503 mills | \$975 | \$1,626 |
| Greenwood | 6.503 mills | \$975 | \$1,626 |
| Newry | 6.503 mills | \$975 | \$1,626 |
| Woodstock | 6.503 mills | \$975 | \$1,626 |

Table 1 above shows that Newry pays the same mill rate for education as all other MSAD 44 towns.

¹ This has not always been the case. For several decades, property valuation in SAD 44 was heavily influenced by the Telstar facility in Andover.

² The mill rate is a measure of tax effort, with 1 mill equaling \$1 of property tax per \$1,000 of property valuation.

³ For purposes of these and the following tables, property valuations used to calculate mill rates are based on two year averages per the State ED 279 report.

In short, because education in MSDA 44 is regionally based, the payment system is likewise regionally based. The educational tax burden has always been spread equally through the MSAD 44 region. This is fair and equitable to everyone.

4. Affordability

In fact, an education mill rate of 6.503 is very affordable compared to other regional school systems. Table 2 shows how the MSAD 44 towns' tax effort compares with the tax effort needed to support nearby school systems:

Table 2:
2014-2015 Education Mill Rate and Tax Effort
Comparison of MSAD 44's Towns with Nearby School Systems' Towns

| School/Town | Education Mill Rates | Cost per \$150,000 Home | Cost per \$250,000 Home |
|------------------|----------------------|-------------------------|-------------------------|
| MSAD 44 | | | |
| All Towns | 6.503 mills | \$975 | \$1,626 |
| RSU 10 | | | |
| Buckfield | 11.615 mills | \$1,742 | \$2,904 |
| Byron | 7.771 mills | \$1,166 | \$1,943 |
| Canton | 12.304 mills | \$1,846 | \$3,076 |
| Carthage | 12.036 mills | \$1,805 | \$3,009 |
| Dixfield | 12.308 mills | \$1,846 | \$3,077 |
| Hanover | 8.378 mills | \$1,257 | \$2,095 |
| Hartford | 11.268 mills | \$1,690 | \$2,817 |
| Mexico | 12.128 mills | \$1,819 | \$3,032 |
| Peru | 12.043 mills | \$1,806 | \$3,008 |
| Roxbury | 9.959 mills | \$1,494 | \$2,490 |
| Rumford | 11.288 mills | \$1,693 | \$2,822 |
| Sumner | 11.533 mills | \$1,730 | \$2,883 |
| MSAD 17 | | | |
| Harrison | 7.764 mills | \$1,165 | \$1,941 |
| Hebron | 7.870 mills | \$1,181 | \$1,968 |
| Norway | 7.870 mills | \$1,181 | \$1,968 |
| Otisfield | 7.870 mills | \$1,181 | \$1,968 |
| Oxford | 7.870 mills | \$1,181 | \$1,968 |
| Paris | 7.870 mills | \$1,181 | \$1,968 |
| Waterford | 7.870 mills | \$1,181 | \$1,968 |
| West Paris | 7.870 mills | \$1,181 | \$1,968 |

These three neighboring school districts comprise a total of 24 towns. In comparison to towns within the two other school systems, the education tax effort required by MSAD 44 towns to support their regional school system is the lowest. In other words, MSAD 44's regionally based education system is affordable.

The Newry Withdrawal Committee suggests shifting the mill rate burden for Telstar region education by adding 3.33 mills to the other towns' mill rates, and subtracting 4.1 mills from Newry. In other words, the Withdrawal Committee rejects the current proportional educational tax as unfair, and proposes a regressive tax for the region ó a system where the highest valuation property has the lowest rate of tax.

In summary, in return for access to regional education services, the tax burden for Newry should be, and currently is, based on a system of tax assessment that is proportional throughout the region. This is not only fair, but it is affordable, to everyone. MSAD 44's counterproposal addresses these concerns.