The Wrong Choice for ME:

How Question 2 would exacerbate inequality in K-12 education and cost thousands of jobs

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Liam Sigaud
The Maine Heritage Policy Center

Paul Bachman and David Tuerck
Tuerck Foundation

The Maine Heritage Policy Center
We the people of Maine

Introduction

On November 8th, 2016, the Maine people will vote on an initiative to impose an additional 3% surtax on household income over $200,000. Supporters, like the Maine Education Association, claim that the additional tax revenue will provide more funding to local school districts to reduce municipal taxes and improve educational outcomes. Table 1 shows how the measure would alter Maine's individual income tax structure.

Table 1: 2017 Individual Tax Rate Schedule with Proposed Surtax

Rate	Single/Married – Separate Return	Head of Household	Married – Joint Return
5.8%	Less than $21,050	Less than $31,550	Less than $42,100
6.75%	$21,050 but less than $50,000	$31,550 but less than $75,000	$42,100 but less than $100,000
7.15%	$50,000 but less than $200,000	$75,000 but less than $200,000	$100,000 but less than $200,000
10.15%	$200,000 or more	$200,000 or more	$200,000 or more

Source: Maine Department of Administrative and Financial Services

In analyzing Question 2's impact on Maine's workforce, economy, and schools, this report focuses on two important aspects of the proposal: increasing taxes on high-income residents and increasing state funding to local school districts. We outline the likely effects of a substantial income tax hike on out-migration from Maine to low-tax states, as well as on small pass-through businesses. We also examine how tax revenues would be allocated to school districts, and reveal that funds would mainly flow to wealthy communities.

Raising the Income Tax Rate

The proposal, if enacted, would increase Maine's top marginal tax rate from 7.15 percent to 10.15 percent, a 42 percent hike. As a result, Maine would have the second-highest top marginal income tax rate in the country (behind only California) and the highest income tax rate in Maine history. It is worth noting that Question 2 would introduce the highest income tax rate in the country at the $200,000 income level; California's top marginal income tax of 13.3 percent applies only to income beyond $1 million. Maine's top marginal income tax rate is currently 7.15 percent and, despite recent tax reductions, still ranks 10th highest among states levying an individual income tax. Overall, state and local tax collections per capita were $1,153 in 2013—the 16th highest in the nation.[1]

The surtax would directly impact approximately 16,840 tax filers in Maine—roughly 2.64 percent of all filers. Maine already languishes near the bottom of business competitiveness and tax friendliness rankings, largely thanks to its high individual and corporate income tax rates.[2] Increasing taxes on Maine's most successful professionals—including small business owners, doctors, engineers, and managers—would further erode Maine's economic and demographic future.

Broad Economic Effects of Question 2

Changes in tax rates have measurable effects on taxable activities. The weight of evidence shows that changes in state-level taxes have significant effects on state economic activity. Tax rates are critical for explaining the comparative performance of national economies.

The economy does not remain in its current state when governments raise or lower taxes. Taxes influence behavior and set into action a series of events that change economic behavior. Consider the work-leisure calculus. Taxpayers divide their time between work and non-work, which we call "leisure." Lower tax rates on work make leisure less attractive and thus encourage taxpayers to work more. Higher tax rates make leisure more attractive and thus induce taxpayers to work less.

> By reducing investment in Maine's economy, Question 2 is expected to cost 4,050 private-sector jobs by 2021.

Consider also the saving-consumption calculus. Taxpayers must decide how to allocate their after-tax income between consumption and saving. That matters to the economy because capital spending is financed from saving, and capital spending increases production and raises the demand for labor. Lower tax rates on the return to saving induce taxpayers to save more, thus fueling investment. Higher tax rates have the opposite effect.

Clearly, taxpayers respond to incentives and disincentives to work and save brought about by tax law changes. Lower tax rates usually reduce government revenues, but less so to the extent that they encourage work and saving. Higher tax rates usually increase revenues, but less than a mechanical computation would show, because they also discourage work and saving.

Since tax cuts raise after-tax profits, they induce taxpayers to expand investment and, in so doing, wages and jobs. As a result of raising after-tax wages, tax cuts motivate taxpayers to enter the labor force and work longer hours. This is the result of the reduction of disincentives to invest and work that are inherent to any tax code. Therefore, it's important not to assume that tax revenues move in proportion to tax rate increases or decreases. Dynamic behavioral changes must be accounted for, particularly changes in the willingness of taxpayers to invest and work induced by tax law changes. Indeed, it is essential to estimate these behavioral changes in order to assess the desirability, from the public's point of view, of making changes in tax law.

Using ME-STAMP, a comprehensive economic model developed by the Beacon Hill Institute to capture the principal effects of tax changes, it is possible to calculate the degree to which these economic mechanisms will affect the Maine economy in the context of Question 2. The analysis assumes that the measure would be implemented in 2017; results are reported for both 2017 and 2021. The model's results as measured against the 'baseline economy' of no tax change. Table 2 displays the simulation results for Question 2.

The ME-STAMP model shows that the Question 2 tax hike would decrease private sector jobs by 3,970 in the first year, rising to 4,050 in 2021. The tax increase—through a combination of higher tax rates and a decline in economic activity—would reduce real disposable income, or price adjusted take-home pay, by $265 million in 2017 and $293 million in 2021.

Table 2: The Fiscal and Economic Effects of the Question 2

	2017	**2021**
Private sector jobs	-3,970	-4,050
Baseline investment	-$11 million	-$12 million
Real disposable income	-$265 million	-$293 million
Sales tax revenue	-$8 million	-$9 million
Personal income tax revenue	$132 million	$149 million

As described in the section above, the income tax change would increase the tax burden on savings and thus capital investments. As a result, both local and out-of-state businesses would find investment less attractive in Maine. The ME-STAMP model estimates that investment would decrease by $11 million in 2017, and $12 million in 2021.

The ME-STAMP model shows that the surtax would have moderate dynamic revenue effects. In 2017, the surtax would increase personal income tax revenues by $132 million in 2017 and $149 million in 2021. These estimates are below the $157 million calculated by the Office of Fiscal and Program Evaluation and promoted by the "Stand Up For Students" campaign. Moreover, sales and other tax revenues would drop by $8 million and $3 million respectively in 2017 and $9 million and $4 million in 2021. These losses would result from the drop in economic activity due to the tax changes. The losses would combine with the personal income tax revenue gains to leave the state with $121 million more in tax revenue in 2017 and $136 million in 2021.

Chasing High-Income Professionals Out Of Maine

As economists and analysts have been warning for years, Maine must do much more to reverse its current demographic trends if it is to maintain a vibrant and growing economy. With Baby Boomers continuing to retire over the next several decades, Maine's young working population will experience severe pressure as tax policies change to reflect the need to support the elderly through subsidized health care and housing.

As a result, Maine desperately needs to adopt pro-growth policies that attract young, hard-working families from across the country and around the globe. Unfortunately, Maine's current high-tax policies contribute to "tax flight" into low-tax states. Question 2 would only exacerbate that trend.

A significant number of studies have been conducted in the last two decades to evaluate the impact of tax changes on migratory patterns. Almost universally, this research has concluded that variations in income tax rates are associated with small but significant effects on net out-migration from a state, as well in declines in in-migration. Consider these examples:

- ✓ An analysis in 2011 by the New Jersey Department of the Treasury found "clear, albeit modest effects of cross-state tax differences on migration" and noted: "The Northeast region [has] faced disproportionately strong out-migration relative to its share of the U.S. population [since the 1980s], while having the highest average and top marginal tax rates of the four major geographic regions."[3]
- ✓ A 2011 paper by the Mercatus Center concluded: "[Our] data suggest a recipe for population depletion. States lose households to more tax-friendly states by (1) lowering the "high-income threshold so as to capture more households, (2) increasing high-income tax rates, and (3) increasing property-tax rates."[4]
- ✓ According to Richard Vedder, a Distinguished Professor of Economics at Ohio University, "Americans migrate out of high tax states, on average, and into lower tax ones…The marginal benefit from greater tax-financed government spending is more than offset by the marginal costs that high taxation imposes. Those costs are both direct – less money in one's paycheck after taxes – and indirect – lower economic growth associated with big government."[5]
- ✓ Following the passage of Proposition 30—a measure that dramatically increased top marginal income tax rates—in California, the Institute for Policy Research conducted a survey to gauge the reaction of Californians in affluent communities. The pollsters found that 25 percent of California's wealthiest residents were considering moving out of state in response to the income tax increase.[6]

To be sure, income tax rates are not the only factors relevant when deciding whether to relocate across state lines. Climate, job opportunities, standard of living, familial considerations, and other types of taxes are also important. Yet, under the surtax proposal, popular migration destinations for Mainers—like Florida—would look even more appealing.

> As the wealthy relocate to more tax-friendly states, many of their philanthropic contributions to Maine's communities would end.

As the wealthy relocate to more tax-friendly states, many of their philanthropic contributions to Maine's communities would end. The wealthy contribute substantially to Maine's many philanthropic, charitable, and nonprofit organizations. Mainers earning more than $200,000 per year gave more than $154 million to charity in 2012—more than one-third of all charitable giving in the state.[7] The wealthy also tend to give a larger percentage of their income to charity than lower-income Mainers. According to the Chronicle of Philanthropy, households earning more than $200,000 per year gave an average of 2.4 percent of their income to charity in 2012, 0.27 percent more than what the average Mainer gave. These contributions amount to roughly twice the Maine Department of Labor's expenditures in 2014.[8]

Maine's high tax burden already makes it difficult to attract doctors, scientists, engineers, and other professionals. Question 2 would exacerbate this trend, to the detriment of our economy. According to the Bureau of Labor Statistics, 24 occupations in Maine earn, on average, more than $100,000 per year (see List 1).[9] A worker in one of these professions, whose salary is combined with investment income and a spouse's wages, could easily exceed $200,000 in annual household income. Of these 24 occupations, the Maine Department of Labor predicts that nine (or 37.5%) will experience rapid employment growth, partly driven by growing demand.[10] Faced with a 10.15 percent top income tax rate, however, some professionals may be deterred from working in Maine.

Table 3: High-Income, In-Demand Occupations

Occupation	Average Salary in Maine	In demand?
Economics Teachers, Postsecondary	$100,060	
Financial Managers	$100,900	Yes
Physician Assistants	$102,550	Yes
Aerospace Engineers	$103,520	
Compensation and Benefits Managers	$103,820	
Medical Scientists, Except Epidemiologists	$104,020	
Judges, Magistrate Judges, and Magistrates	$105,360	
Law Teachers, Postsecondary	$107,440	
Computer and Information Systems Managers	$109,140	Yes
Sales Managers	$113,020	Yes
Actuaries	$115,600	
Optometrists	$119,430	
Architectural and Engineering Managers	$124,270	Yes
Pharmacists	$125,340	Yes
Personal Financial Advisors	$131,260	Yes
Chief Executives	$157,560	
Nurse Anesthetists	$167,430	
Family and General Practitioners	$177,790	Yes
Pediatricians, General	$182,710	
Dentists, General	$185,290	
Internists, General	$204,820	
Physicians and Surgeons, All Other	$210,760	Yes
Surgeons	$262,790	
Obstetricians and Gynecologists	$279,390	

Consider, for instance, that physician shortages are commonplace in Maine, especially in rural areas. In 2010, there were only 45.7 primary care physicians (PCPs) per 100,000 residents of Washington County, about half the national average. Similar shortages exist in Oxford, Sagahadoc, and Somerset counties.[11] Statewide, Maine had nearly 30 percent fewer PCPs than the national average. A recent study found that Maine will need 120 additional PCPs by 2030 merely to maintain the status quo, much less begin to address the unmet need for primary care.[12] The lack of primary care providers reduces access to important medical care. In 2014, nearly 11 percent of adults in Maine reported not seeing a doctor in the past 12 months,[13] while more than 12 percent lacked a personal physician.[14]

Question 2 will deter primary care physicians and other high-income professionals from considering Maine as a place to live and work, threatening Maine's ability to provide medical services to its aging population and further exacerbating our demographic challenges.

Impact on small businesses

Question 2 would have a detrimental effect on Maine's business community and private-sector employment. The majority of Maine's businesses—including many family-owned farms—are not subject to the corporate income tax. Rather, profits flow through to the owners and are taxed as ordinary income under the individual income tax. These businesses — often referred to as "pass-through entities"— include sole proprietorships, partnerships, and S corporations. They constitute a growing percentage of the total business sector.[15] Pass-through entities in Maine accounted for nearly 61.7 percent of private-sector employment in 2012, the 5th-highest percentage in the country. As a result, tax increases on high earners could have a profound impact on small businesses, employees, and our economy as a whole.

High-income individuals report most pass-through business income, which explains why a large majority of small business owners—as high as 69 percent, according to a 2015 survey—don't support raising taxes on the highest-earning individuals.[16] According to the latest IRS data, 50 percent of pass-through business income in Maine was reported on returns that earned more than $200,000. As a result, half of pass-through business income in Maine is currently taxed at the top marginal rate of 7.15 percent, and would be subject to the much higher rate of 10.15 percent if Question 2 passes. In addition, 27 percent of Mainers earning more than $200,000 report having income from a sole proprietorship, while 41 percent derive income from a partnership or S-corporation. Passing Question 2 would amount to a significant tax hike on the types of small businesses that generate the majority of Maine's private-sector jobs; this is a clear recipe for declines in employment and slow business growth as entrepreneurs are deterred from opening businesses in Maine.

Using the most recent IRS statistics, it is possible to estimate the number of small business households likely to be impacted by Question 2. Including sole proprietorships, S-corporations, and partnerships, the measure would raise taxes on 11,450 pass-through businesses, totaling $1.4 billion in adjusted gross income (about 2.5 percent of state GDP).

Table 4: The Costs of Question 2 on Pass-Through Businesses

Income range	Number of Maine tax returns deriving income from pass-through businesses	Percent of total pass-through business AGI
$200,000-$499,000	8,940	22%
$500,000-$999,999	1,730	12%
$1,000,000+	780	16%
Total	**11,450**	**50%**

Source: Internal Revenue Service, 2014 data

As the American Legislative Exchange Council has noted, "those arguing for 'soaking the rich' by…increasing the burden on the top [earners]…are not just arguing about taxing 'millionaires'—they want to tax small businesses. These small businesses are major drivers of job growth and wage growth. Increasing their tax burden means less resources for expanding production facilities, R&D expenses in efforts to develop new products, hiring new workers, paying more generous salaries or increasing employee benefits."[17]

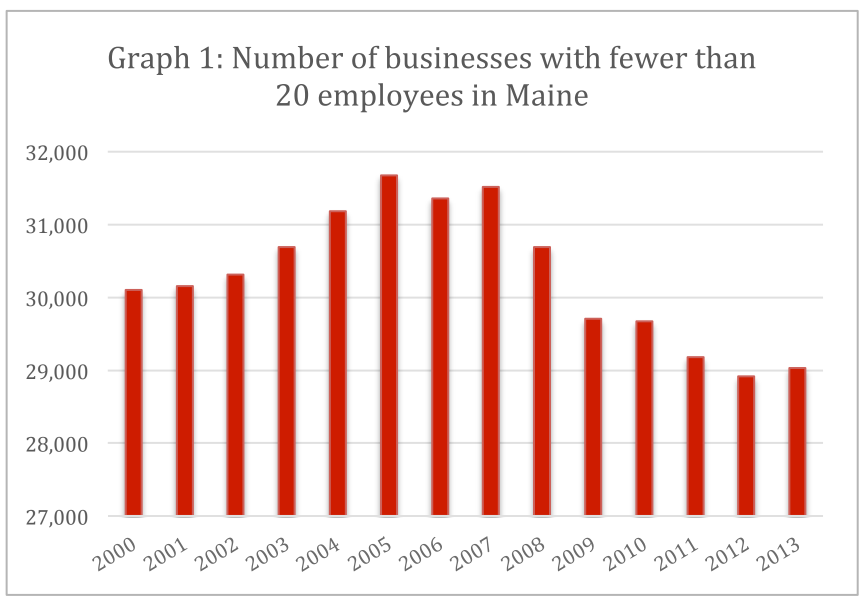
A study by the National Bureau of Economic Research found that as a sole proprietor's personal income tax rate goes up, the rate of growth of his business declines. The trend was so strong that the authors concluded that "a decrease in the marginal tax rate levied on a sole proprietor from 50 percent to 33 percent would lead to an increase in his receipts [a measure of business growth] by about 28 percent."[18]

According to a recent report, Maine's business tax burden ranks 4th in the country at 13.9 percent; only Vermont, Alaska, and North Dakota impose higher taxes on business.[19] Indeed, accounting for both state and federal taxes, the top marginal tax rate for sole proprietorships in Maine was already the 8th highest in the country at 48.9 percent in 2013, the last year for which data is available. For S corporations, the top rate was also the 8th highest nationally, at 45.9 percent.[20] While Maine's rankings may have slightly improved thanks to recent income tax reductions, our standing nationally remains poor. Question 2 would impose the highest marginal income tax rates on pass-through entities in the United States. Below, Table 5 shows the top marginal tax rate on different pass-through entities among the New England states. Only Vermont's taxes are narrowly higher than Maine's.

Table 5: Pass-Through Entity Taxation in New England

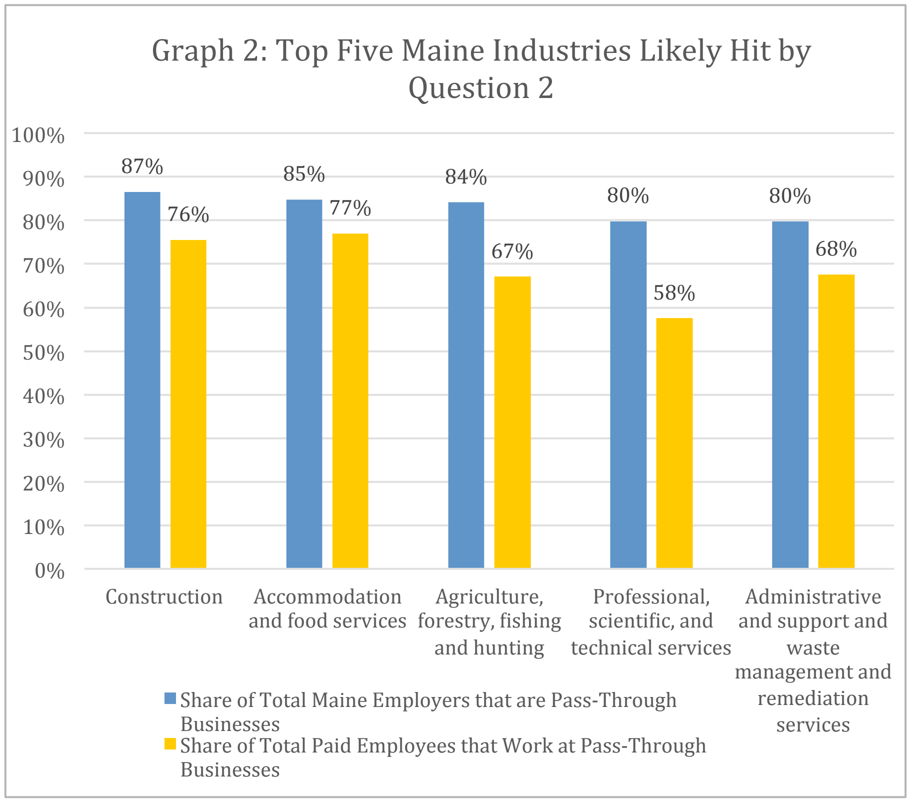
State	**Top Marginal Tax Rate for Sole Proprietorships**	**Top Marginal Tax Rate for S Corporations**
Maine	48.9%	45.9%
New Hampshire	42.6%	39.6%
Vermont	49.1%	46.2%
Massachusetts	47.0%	44.0%
Connecticut	47.8%	44.8%
Rhode Island	47.4%	44.4%

By almost any measure, Maine's business climate lags behind other states. In 2015, Forbes ranked Maine 48th in the country for business-friendliness.[21] Since 2000, as Graph 1 illustrates, Maine has seen a net drop in the number of small businesses in operation. In 2013, the latest year for which data is available, Maine had even fewer small firms than in 2009 and 2010, when the repercussions of the financial crisis were still rippling through the economy. Overall, Maine's average annual rate of small business creation from 2000 to 2013 was -0.3 percent. While many factors influence the rate of entrepreneurship and the longevity of enterprises, income tax rates have a clear negative impact on business growth.



The five industries shown in Graph 2 are likely to be hardest hit by Question 2, though it's important to note that not all pass-through businesses in these sectors generate sufficient profits to reach the $200,000 tax threshold. Limited data availability prevents a more thorough analysis.

Reducing taxes on small businesses and entrepreneurs spurs economic growth and job creation. Substantially increasing taxes on these entities, as Question 2 would, is likely to slow Maine's recovery from the recession, reduce employment growth, and deter family and home-based businesses from relocating to Maine.



Effect on Public Education

In addition to the effect Question 2 would have on economic growth and migration patterns in Maine, voters should look closely at the way the measure would allocate funds to local school districts. Despite assurances from the initiative's supporters, there is little evidence that Question 2 would improve Maine's public education system or provide property tax relief.

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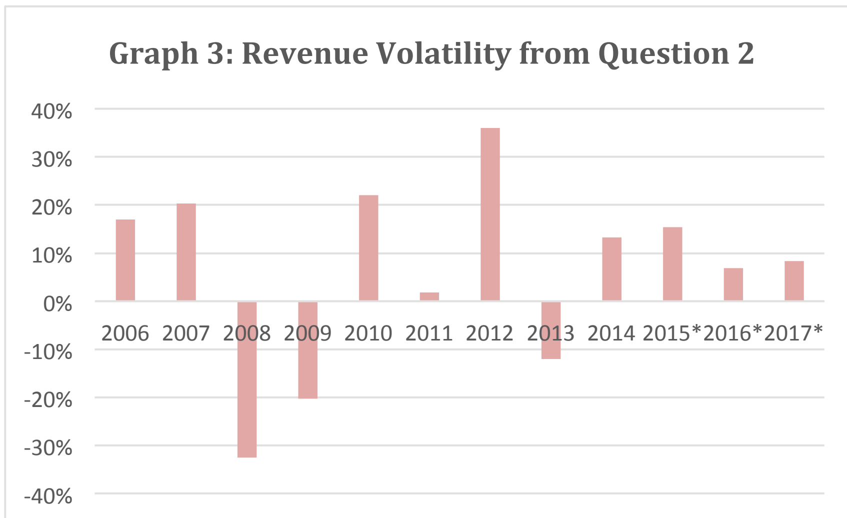
Funds Could Be Reallocated at the Whim of the Legislature

While Question 2's objective is to supplement—and not replace or supplant—existing state contributions to local school districts, there is no mechanism in statute to prevent legislators from reducing baseline education appropriations by an amount equal to expected revenues from the tax, thereby keeping education funding flat.

Despite the ballot initiative's language, which states that the "supplemental funds must be used to enable the State to meet the annual target" of public education funding, there is also no way to prevent future legislators from redirecting the funds to other programs. Citizens' initiatives, though approved by popular vote, have no more legal authority than statutes passed by the Legislature.

In recent years, lawmakers have repeatedly taken funds earmarked for a specific purpose and used them to close budget gaps and support other programs. For instance, while a portion of the revenues of the Oxford Casino are supposed to go to the Department of Education to finance K-12 education, these funds—totaling more than $10 million over 2014 and 2015—have repeatedly been transferred back to the General Fund to help balance the budget. Similarly, in 2013 legislators transferred more than $5 million from the Fund for a Healthy Maine (established with tobacco settlement money to combat smoking and promote public health) to the General Fund. There is no assurance that legislators will not pass similar measures to re-direct Question 2 funds away from K-12 education.

Tax Revenue Would be Unreliable and Highly Variable



A heavy reliance on revenue from income taxes on the wealthy is an ineffective way to fund public services, particularly local schools. High earners are more likely to derive income from businesses, dividends, or capital gains—as a result, their income is extraordinarily dependent on the strength of the economy, which is notoriously difficult to forecast.

During times of robust growth, their income often rises, only to crater during economic downturns. To demonstrate this phenomenon, the Department of Administrative and Financial Services calculated how much revenue would have been collected annually from the 3 percent tax if it had been in place since 2005. Graph 4 illustrates the year-over-year change in hypothetical tax collections.

The data show significant volatility; a sharp decline in revenue of more than 30% would have occurred following the 2008 recession. Other states that rely heavily on income tax revenues from top earners to fund public services—such as New Jersey—have recently had to wrestle with the volatility such an approach introduces into their tax codes. Although supporters assert that Question 2 would provide a reliable, long-term funding source for Maine's public schools, it would instead increase the volatility of state revenues.

Funds Would be Allocated Unequally among School Districts

Although Question 2's supporters assert that the initiative would benefit schools "across the state" and promote "education equality in every zip code," the funds would heavily favor wealthy school districts. Dozens of struggling communities would receive no additional state funding under Question 2.

> Dozens of struggling communities in need of property tax relief would receive no additional state funding under Question 2.

To understand how Question 2 would impact individual school districts, it's worth briefly reviewing Maine's school financing approach. Every year, the Department of Education uses the Essential Programs and Services (EPS) formula to calculate how much a school district should be spending in order to meet the educational objectives laid out in the Maine Learning Results. A report by the University of Southern Maine explains the complex set of variables EPS considers in calculating the appropriate level of spending: "Many elements are used in determining the total allocation – including the number of students in the school; the status of the students as English language learners, economically disadvantaged students or students with special needs; the level of teacher salaries compared to other areas of the state; the state-established ratios of students to teachers, administrators, educational specialists and others, to name just a few."[22]

Once the EPS allocation for the entire state has been computed, it is funded through a combination of state and local revenues. The state share is appropriated by the Legislature, while the local required contribution is collected on the basis of an established property tax rate designed to collect the balance of revenues needed to fund the EPS. Each school district's combination of state and local funds is a reflection of its property wealth per pupil; property poor school districts receive a higher percentage of state funding than property rich districts, regardless of the level of household income within the communities. Each school district's required local contribution is determined by applying the required tax rate to the property value of the district to determine the local share. The state effectively makes up the balance of funding.

No matter how property rich a school district is, however, the state provides a minimum level of funding, called a "minimum state contribution" This minimum is computed at the greater of five percent of the school district's total allocation (state and local share), or 30% of its special education adjustment.

One important aspect of Maine's EPS funding formula is that only property taxes are used as a measure of a school district's financial capacity. Communities with high property values are considered able to shoulder a greater share of their school budgets, while towns with low property values receive more state aid. Unlike some states that blend property tax data with income and sales tax records to calculate the local share, Maine relies exclusively on a single measure which is an unreliable way to assess an area's economic prosperity. According to an independent review of Maine's EPS formula, "A school funding model that does not take income into account in determining a school district's ability to fund educational services is more likely to result in low-income, high property wealth districts being treated as if they have a greater tax capacity then the local community believes it can afford."[23] In other words, some low-income, property-rich communities are required to contribute far more to their local schools than high-income, property-rich towns.

This reality has a profound impact on how Question 2 funds would be distributed between school districts. Question 2 would allow DOE to slightly reduce the statewide mill rate expectation, which would inarguably benefit some towns. But many low-income municipalities with relatively high property values would still be considered to have sufficient local resources to fund their schools, despite high unemployment and median household income well below the state average.

Table 6: Where Would Question 2 Funds Go?

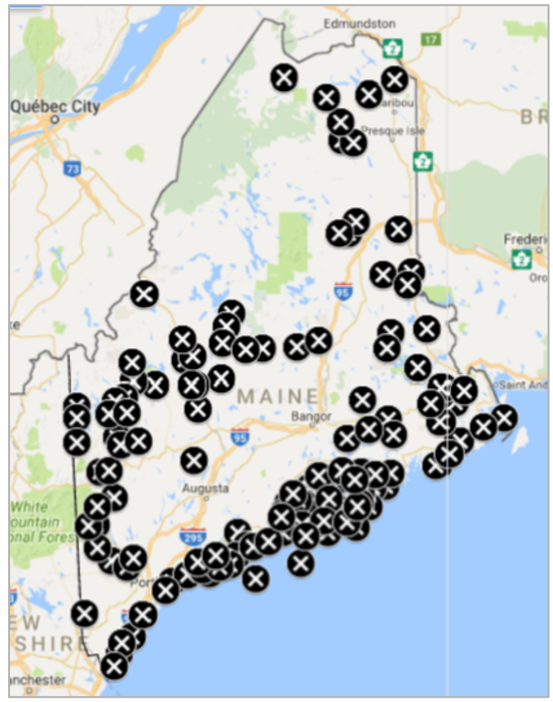
School Districts	*Additional State Aid Under Question 2*
Top 25 Highest Receivers	$69,606,242.87
Next 25 Highest Receivers	$32,705,612.25
Rest of the State (196 Districts)	$27,883,835.16

Consider the tiny town of Upton, located in Oxford County. According to Department of Education data, in 2016 Upton's property valuation exceeded $27 million. At a mill rate of 8.23 (the statewide rate set by DOE in 2016), Upton could generate nearly $225,000 in local property taxes. However, the EPS formula indicated that only $47,339 was needed to fund Upton's education system. As a result, the state contributed virtually nothing to Upton's public schools in 2016. But despite its property tax base, Upton is a community facing difficult economic conditions. According to the latest Census data, the median household income in Upton is $41,250, significantly lower than the state average of $48,804. Nearly one third of Upton's residents live in poverty, compared to under 14 percent statewide. Upton—and dozens of poor rural towns across Maine—needs lower property taxes, but Question 2 will provide no additional state aid to provide local tax relief. In fact, most towns that don't stand to benefit from Question 2—numbering approximately 130—have median household incomes below the state average.

> Question 2 would channel millions of dollars to wealthy communities like Cumberland and Yarmouth, while providing no additional funding to struggling towns like Upton and Acton.

On the other hand, Question 2 would channel millions of dollars to wealthy communities, like the town of Falmouth in Cumberland County. In 2014, the median household income in Falmouth was nearly $100,000 and the poverty rate was barely over three percent. In 2016, Falmouth's total property valuation exceeded $2 billion, generating more than $17 million for local education. However, because the EPS formula indicated that nearly $26 million was necessary to fund Falmouth's schools, the state contributed about $8.6 million in 2016. Under Question 2, Falmouth would receive an additional $2.5 million.

Fourteen towns that stand to receive a total of $22 million under Question 2 (including Falmouth, Cape Elizabeth, and Yarmouth) have annual median household incomes in excess of $70,000. Many of these wealthy communities have chosen to exceed the minimum funding level set by the EPS formula in order to provide their students with extracurricular activities and additional classroom resources. For example, Cape Elizabeth passed a $23.2 million school budget for the 2015-2016 school year, while the EPS formula only required a budget of $17.3 million. At the same time, Cape Elizabeth received $3.4 million in state aid. If Question 2 passes, Cape Elizabeth would receive an additional $2 million.



It is clear that Question 2—far from expanding educational opportunity for poor, rural students—would exacerbate the inequities that Maine's school funding formula has created.

The map at right indicates, using preliminary data from DOE, the towns that are unlikely to benefit from Question 2.

Towns Expected to Receive NO Additional State Aid Under Question 2

Acton
Allagash
Arrowsic
Bar Harbor
Beaver Cove
Beddington
Blue Hill
Boothbay
Boothbay Harbor
Bowerbank
Bremen
Bristol
Brooklin
Brooksville
Byron
Camden
Caratunk
Carrabassett Valley
Carroll
Castine
Chebeague Isle
Codyville
Cooper
Coplin
Cranberry Isles
Crawford
Cyr
Dallas
Deblois
Deer Isle
Denmark
Dennistown
Embden
Eustis
Frenchboro
Friendship
Frye Island
Georgetown
Glenwood
Gouldsboro
Grand Lake Stream
Great Pond
Greenville
Greenwood
Hanover
Harpswell
Hersey
Isle Au Haut
Islesboro
Jonesport
Kennebunkport
Kingsbury
Lake View
Lakeville
Lamoine
Lincoln
Lincolnville
Long Island
Lovell
Lubec
Machiasport
Magalloway
Matinicus Isle
Meddybemps
Monhegan
Moro
Moscow
Mount Chase
Mount Desert
Nashville
New Limerick
Newry
Nobleboro
North Haven
Northfield
Northport
Ogunquit
Old Orchard Beach
Orient
Osborn
Otis
Owls Head
Oxbow
Penobscot
Phippsburg
Pleasant Ridge
Portage Lake
Rangeley
Rangeley
Raymond
Rockport
Rome
Roque Bluffs
Roxbury
Sandy River
Sebago
Seboeis
Sedgwick
Shirley
Sorrento
South Bristol
Southport
Southwest Harbor
St. George
Stoneham
Stonington
Surry
Swans Island
Sweden
The Forks
Tremont
Trenton
Upton
Vinalhaven
Weld
Wells
Wesley
West Bath
West Forks
Westmanland
Weston
Westport Island
Whiting
Willimantic
Winter Harbor
Winterville
York

More Spending Doesn't Necessarily Lead to Better Educational Outcomes

Beyond concerns over the initiative's uneven impact on communities and the risk that funds, once raised, will be used for other purposes, a large amount of empirical research indicates that additional spending on public education in Maine is unlikely to affect student achievement.

Before making a decision on Question 2 at the ballot box, voters should carefully consider research that shows the link between education spending and student performance is not definitive as supporters suggest. Over the last decade, researchers have found that among other variables, the relation between spending and student performance is weak and that other factors account for improved performance.

> Additional spending on public education in Maine is unlikely to affect student achievement.

Using a value-added model, the Beacon Hill Institute (BHI) found that additional spending in Massachusetts had no measurable effect on student performance. The analysis also showed that neither spending per pupil nor class size played a significant (or even positive) role in improving standardized test scores. In a more recent study, BHI applied an alternative methodology to the techniques from the earlier research project and found that spending had a mostly positive, though still very small, effect. For 4th and 8th graders a 10 percent increase in spending increased performance by 0.6 percent and 1.02 percent, respectively. Moreover, in 10th grade math, a ten percent increase in spending caused a 2.73 percent decrease in student performance.

Noted education economist Eric Hanushek reviewed 163 studies and found that only 27 percent of the studies showed a positive and statistically significant relationship between expenditure per student and student achievement. On the other hand, seven percent of the studies show a negative and statistically significant relationship between expenditure per student and student achievement and 66 percent found no statistically significant relationship. In 2010, a study of Maine's school formula failed to find any evidence that an increase in state funding had led to an improvement in student achievement.[24]

There are some paths toward improvement but they do not require additional sources. Hanushek suggests that education spending should be used to implement the policies with proven efficacy, such as replacing teachers who fail to raise test scores and closing schools which persistently fail to produce reasonable student achievement. Instead of endangering Maine's economic prosperity with large tax hikes on small business owners, advocates for a strong educational system should focus on expanding charter schools, creating education savings accounts, and empowering school choice so that Maine children, no matter where they live or the income of their parents, have access to a high quality education.

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