



Date: November 6, 2019  
To: RSU5 Board of Directors  
From: Finance Committee  
RE: RSU5 Current Cost Sharing Methodology – Assessment of Fairness

A fair cost-sharing methodology distributes the burden of local educational costs resulting in as close to an equal tax rate as possible amongst each taxpayer in RSU5. The Finance Committee sees the RSU taxpayer, not individual towns when assessing that impact, though undeniably it must acknowledge the three municipalities when it comes time to issue the warrants to raise local revenue. The Finance Committee considered fairness of the current cost sharing methodology through a variety of different lenses, as follows:

1. Property valuation is the fundamental way in which public education, and local government in general, is funded in the State.
2. The majority of Regional School Units have adopted a cost sharing model in which the Required Local Contribution as reported on the ED279 is utilized in combination with 100% valuation.
3. Bill Stockmeyer's presentation to the Board in December 2017 demonstrated in various ways how the current method of cost sharing in RSU5 is very close to what it would be under the methodologies commonly used in other Regional School Units.
4. Per pupil cost sharing methods are intended to protect towns that have high valuation to pupil ratios coupled with a minority voting power.
5. Under the current methodology the percent Total Contribution (i.e., Local Contribution<sup>1</sup> + State Contribution<sup>2</sup> + Minimum Special Education Adjustment) for each town is close to each town's percent Pupil Count. This is not surprising since the ED279 allocations for each municipality are determined based on pupil percentage.

The fiscal capacity of each town and therefore the impact of local education costs on each RSU5 household are adequately incorporated into the current methodology.

For example, the education mil rates in each town under the current cost sharing methodology for FY20, FY19, FY18, and FY17 are presented below, along with a breakdown of each municipality's Total Contribution towards the cost of education in RSU5 compared to percent Pupil Count:

RSU5 Education Mil Rates by Town <sup>a/</sup>				
	2019/20 (FY20)	2018/19 (FY19)	2017/18 (FY18)	2016/17 (FY17)
<b>Durham</b>	\$14.34	\$14.18	\$14.08	\$13.88
<b>Freeport</b>	\$10.50	\$10.94	\$10.84	\$12.18
<b>Pownal</b>	\$11.25	\$11.06	\$10.23	\$10.56

<sup>a/</sup> Education mil rates are based on each town's Tax Bill Distribution Percentage for Schools in FY20, FY19, FY18, and FY17.

<sup>1</sup> Local Contribution does not include Non-Shared Debt.

<sup>2</sup> State Contribution includes State Funded Debt Assumed by RSU.

<b>Total Contribution to RSU5 by Town<sup>a/</sup></b>			
<b>2019/20 (FY20)</b>			
	<b>Total Contribution<sup>b/</sup></b>	<b>% Total Contribution</b>	<b>% Pupil Count<sup>c/</sup></b>
<b>Durham</b>	\$ 9,852,607.56	29.84	30.73
<b>Freeport</b>	\$ 19,678,889.00	59.60	58.43
<b>Pownal</b>	\$ 3,487,902.49	10.56	10.84
<b>TOTAL</b>	\$ 33,019,399.05	100.00	100.00
<b>2018/19 (FY19)</b>			
	<b>Total Contribution<sup>b/</sup></b>	<b>% Total Contribution</b>	<b>% Pupil Count<sup>c/</sup></b>
<b>Durham</b>	\$ 9,601,789.49	30.31	31.02
<b>Freeport</b>	\$ 18,807,122.00	59.38	58.38
<b>Pownal</b>	\$ 3,265,064.10	10.31	10.60
<b>TOTAL</b>	\$ 31,673,975.59	100.00	100.00
<b>2017/18 (FY18)</b>			
	<b>Total Contribution<sup>b/</sup></b>	<b>% Total Contribution</b>	<b>% Pupil Count<sup>c/</sup></b>
<b>Durham</b>	\$ 9,567,919.27	31.26	31.66
<b>Freeport</b>	\$ 17,860,952.28	58.35	58.02
<b>Pownal</b>	\$ 3,179,129.99	10.39	10.32
<b>TOTAL</b>	\$ 30,608,001.54	100.00	100.00
<b>2016/17 (FY17)</b>			
	<b>Total Contribution<sup>b/</sup></b>	<b>% Total Contribution</b>	<b>% Pupil Count<sup>c/</sup></b>
<b>Durham</b>	\$ 9,434,372.83	31.95	31.53
<b>Freeport</b>	\$ 17,069,399.44	57.81	58.47
<b>Pownal</b>	\$ 3,021,755.27	10.23	10.00
<b>TOTAL</b>	\$ 29,525,527.54	100.00	100.00
<sup>a/</sup> Per Section 6.A. of the Reorganization Plan prepared by the Reorganization Planning Committee (9/18/2009), the RSU assumed liability to pay certain existing indebtedness and lease-purchase obligations for Central Office (issued 2001), FHS (issued 2002), State Portion of MLS (issued 1990), FHS Heating System (issued 2008), FHS Portion of Lighting Upgrade (issued 2008), and State Portion of DCS (issued 2009). In the years it was received, the full State Contribution, including the State Portion of MLS and DCS debt, is allocated towards the Total Contribution for Freeport and Durham, respectively.			
<sup>b/</sup> Total Contribution is calculated as Local Contribution (i.e., Total Required Local Contribution plus Additional Local Monies) plus State Contribution plus Min. Spec. Ed. Adj. State Contribution includes State Funded Debt Assumed by RSU.			
<sup>c/</sup> Percentage of Total Pupils as reported in Section 4.A. of the ED 279.			

For additional context, the education costs under the current cost sharing methodology for the median homeowner in each town for 2019/20 (FY20) are presented below. Note, though a town assesses real estate taxes for an individual residential property based on the town's assessed valuation for that property, we calculated the median home education tax based on available data for median home values (i.e., market value) to provide a rough estimate. To calculate the actual median home education tax would require additional information from each town based on their assessed valuations for residential property.

<b>RSU5 Education Costs for Median Homeowner by Town</b>				
<b>FY20</b>	<b>Education Tax per \$200,000 Valuation</b>	<b>Median Home Value<sup>a/</sup></b>	<b>Median Home Education Tax<sup>b/</sup></b>	<b>Median Household Income<sup>c/</sup></b>
<b>Durham</b>	\$2,868	\$225,700 <sup>d/</sup>	\$3,235	\$73,750 <sup>e/</sup>
<b>Freeport</b>	\$2,100	\$307,700 <sup>d/</sup>	\$3,230	\$79,500 <sup>e/</sup>
<b>Pownal</b>	\$2,250	\$255,300 <sup>d/</sup>	\$2,872	\$83,700 <sup>e/</sup>
<sup>a/</sup> Most recent data available. Source: United States Census Bureau, 2017 American Community Survey 5-Year Estimates, Table DP04, Value, Owner-Occupied Units, Median, <a href="https://data.census.gov/cedsci/">https://data.census.gov/cedsci/</a> . Searched by Zip Code Tabulation Areas: 04222, 04032, 04069.				
<sup>b/</sup> Based on each town's 2019/20 Education Mil Rate.				
<sup>c/</sup> Most recent data available. Source: United States Census Bureau, 2017 American Community Survey 5-Year Estimates, Table S1903. <a href="https://data.census.gov/cedsci/">https://data.census.gov/cedsci/</a> . Searched by Zip Code Tabulation Areas: 04222, 04032, 04069. Also provided by this source: 2017 Mean Income (margin of error): D \$84,955 (+/- \$8,512), F \$111,275 (+/- \$21,629), P \$94,061 (+/- \$8,400).				
<sup>d/</sup> Margin of Error: D +/- \$13,604, F +/- \$30,141, P +/- \$21,690. Source: United States Census Bureau, 2017 American Community Survey 5-Year Estimates, Table DP04, Value, Owner-Occupied Units, Median, <a href="https://data.census.gov/cedsci/">https://data.census.gov/cedsci/</a> . Searched by Zip Code Tabulation Areas: 04222, 04032, 04069.				
<sup>e/</sup> Margin of Error: D +/- \$15,996, F +/- \$6,849, P +/- \$10,956. Source: United States Census Bureau, 2017 American Community Survey 5-Year Estimates, Table S1903. <a href="https://data.census.gov/cedsci/">https://data.census.gov/cedsci/</a> . Searched by Zip Code Tabulation Areas: 04222, 04032, 04069.				

11/6/2019

RSU5 Total Contribution by Municipality - Including State Funded Debt Assumed by RSU<sup>1</sup>  
FY17 - FY20

FY20	State Funded			Min. Spec. Ed.	Local		Total	% Total	% Pupil
	State Subsidy	Debt Assumed by RSU	State Contribution		Contribution Adj.	(Total RLC + ALM)			
Durham	\$ 3,512,993.89	\$ 1,270,506.67	\$ 4,783,500.56	\$ -	\$ 5,069,107.00	\$ 9,852,607.56	29.84	30.73	
Freeport	\$ 1,015,214.00	\$ -	\$ -	\$ 1,015,214.00	\$ 18,663,675.00	\$ 19,678,889.00	59.60	58.43	
Pownal	\$ 382,508.49	\$ -	\$ 382,508.49	\$ -	\$ 3,105,394.00	\$ 3,487,902.49	10.56	10.84	
RSU5 Adj	\$ 37,330.41	\$ -	\$ 37,330.41	\$ -	\$ -				
Total	\$ 4,948,046.79	\$ 1,270,506.67	\$ 5,203,339.46	\$ 1,015,214.00	\$ 26,838,176.00	\$ 33,019,399.05	100.00	100.00	

FY19	State Funded			Min. Spec. Ed.	Local		Total	% Total	% Pupil
	State Subsidy	Debt Assumed by RSU	State Contribution		Contribution Adj.	(Total RLC + ALM)			
Durham	\$ 3,490,597.97	\$ 1,292,034.52	\$ 4,782,632.49	\$ -	\$ 4,819,157.00	\$ 9,601,789.49	30.31	31.02	
Freeport	\$ 835,757.00	\$ -	\$ -	\$ 835,757.00	\$ 17,971,365.00	\$ 18,807,122.00	59.38	58.38	
Pownal	\$ 286,710.10	\$ -	\$ 286,710.10	\$ -	\$ 2,978,354.00	\$ 3,265,064.10	10.31	10.60	
RSU5 Adj	\$ (84,382.89)	\$ -	\$ (84,382.89)	\$ -	\$ -				
Total	\$ 4,528,682.18	\$ 1,292,034.52	\$ 4,984,959.70	\$ 835,757.00	\$ 25,768,876.00	\$ 31,673,975.59	100.00	100.00	

	State Funded				Local				
		Debt Assumed by	State	Min. Spec. Ed.	Contribution		Total	% Total	% Pupil
FY18	State Subsidy	RSU	Contribution	Adj.	(Total RLC + ALM)		Contribution <sup>2</sup>	Contribution	Count <sup>3</sup>
Durham	\$ 3,499,939.90	\$ 1,313,562.37	\$ 4,813,502.27	\$ -	\$ 4,754,417.00	\$	9,567,919.27	31.26	31.66
Freeport	\$ 675,327.28	\$ -	\$ 292,800.28	\$ 382,527.00	\$ 17,185,625.00	\$	17,860,952.28	58.35	58.02
Pownal	\$ 359,681.99	\$ -	\$ 359,681.99	\$ -	\$ 2,819,448.00	\$	3,179,129.99	10.39	10.32
RSU5 Adj	\$ (67,233.28)	\$ -	\$ (67,233.28)	\$ -	\$ -				
Total	\$ 4,467,715.89	\$ 1,313,562.37	\$ 5,398,751.26	\$ 382,527.00	\$ 24,759,490.00	\$	30,608,001.54	100.00	100.00

	State Funded				Local				
	Debt Assumed by		State	Min. Spec. Ed.	Contribution		Total	% Total	% Pupil
FY17	State Subsidy	RSU	Contribution	Adj.	(Total RLC + ALM)		Contribution <sup>2</sup>	Contribution	Count <sup>3</sup>
Durham	\$ 3,528,030.27	\$ 1,331,956.56	\$ 4,859,986.83	\$ -	\$ 4,574,386.00	\$	\$ 9,434,372.83	31.95	31.53
Freeport	\$ 635,199.44	\$ -	\$ 635,199.44	\$ -	\$ 16,434,200.00	\$	\$ 17,069,399.44	57.81	58.47
Pownal	\$ 415,071.27	\$ -	\$ 415,071.27	\$ -	\$ 2,606,684.00	\$	\$ 3,021,755.27	10.23	10.00
RSU5 Adj	\$ (40,862.93)	\$ -	\$ (40,862.93)	\$ -	\$ -				
Total	\$ 4,537,438.05	\$ 1,331,956.56	\$ 5,869,394.61	\$ -	\$ 23,615,270.00	\$	\$ 29,525,527.54	100.00	100.00

	State Funded				Local				
	Debt Assumed by		State	Min. Spec. Ed.	Contribution		Total	% Total	% Pupil
FY16	State Subsidy	RSU	Contribution	Adj.	(Total RLC + ALM)		Contribution <sup>2</sup>	Contribution	Count <sup>3</sup>
Durham	\$ 3,188,407.97	\$ 1,350,350.75	\$ 4,538,758.72	\$ -	\$ 4,497,198.00	\$	9,035,956.72	31.16	30.29
Freeport	\$ 612,902.84	\$ -	\$ 612,902.84	\$ -	\$ 16,363,229.00	\$	16,976,131.84	58.54	59.51
Pownal	\$ 512,988.39	\$ -	\$ 512,988.39	\$ -	\$ 2,476,426.00	\$	2,989,414.39	10.31	10.20
RSU5 Adj	\$ (81,994.70)	\$ -	\$ (81,994.70)	\$ -	\$ -				
Total	\$ 4,232,304.50	\$ 1,350,350.75	\$ 5,582,655.25	\$ -	\$ 23,336,853.00	\$	29,001,502.95	100.00	100.00

FY15	State Funded			Min. Spec. Ed.	Local		Total	% Total	% Pupil
	State Subsidy	Debt Assumed by RSU	State Contribution		Contribution Adj.	(Total RLC + ALM)			
Durham	\$ 3,138,293.23	\$ 1,368,744.94	\$ 4,507,038.17	\$ -	\$ 4,011,911.00	\$ 8,518,949.17	32.03	30.34	
Freeport	\$ 484,051.45	\$ -	\$ 425,390.45	\$ 58,661.00	\$ 14,885,262.00	\$ 15,369,313.45	57.79	59.41	
Pownal	\$ 527,311.67	\$ -	\$ 527,311.67	\$ -	\$ 2,180,508.00	\$ 2,707,819.67	10.18	10.25	
RSU5 Adj	\$ (138,645.45)	\$ -	\$ (138,645.45)	\$ -	\$ -				
Total	\$ 4,011,010.90	\$ 1,368,744.94	\$ 5,321,094.84	\$ 58,661.00	\$ 21,077,681.00	\$ 26,596,082.29	100.00	100.00	



FY14	State Funded			Min. Spec. Ed.	Local		Total	% Total	% Pupil
	State Subsidy	Debt Assumed by	State Contribution		Adj.	Contribution (Total RLC + ALM)			
Durham	\$ 2,991,841.19	\$ 590,067.19	\$ 3,581,908.38	\$ -	\$ 3,673,735.00	\$ 7,255,643.38	29.76	29.71	
Freeport	\$ 584,510.76	\$ -	\$ 492,755.76	\$ 91,755.00	\$ 14,093,640.00	\$ 14,678,150.76	60.20	60.38	
Pownal	\$ 469,069.78	\$ -	\$ 469,069.78	\$ -	\$ 1,980,621.00	\$ 2,449,690.78	10.05	9.91	
RSU5 Adj	\$ (114,067.30)	\$ -	\$ (114,067.30)	\$ -	\$ -				
Total	\$ 3,931,354.43	\$ 590,067.19	\$ 4,429,666.62	\$ 91,755.00	\$ 19,747,996.00	\$ 24,383,484.92	100.00	100.00	

FY13	State Funded			Min. Spec. Ed.	Local		Total	% Total	% Pupil
	State Subsidy	Debt Assumed by	State Contribution		Contribution Adj.	(Total RLC + ALM)			
Durham	\$ 2,846,637.47	\$ 1,406,244.55	\$ 4,252,882.02	\$ -	\$ 3,219,416.00	\$ 7,472,298.02	31.90	30.48	
Freeport	\$ 473,050.00	\$ -	\$ -	\$ 473,050.00	\$ 13,349,175.00	\$ 13,822,225.00	59.00	59.44	
Pownal	\$ 371,980.03	\$ -	\$ 371,980.03	\$ -	\$ 1,760,851.00	\$ 2,132,831.03	9.10	10.08	
RSU5 Adj	\$ (213,891.50)	\$ -	\$ (213,891.50)	\$ -	\$ -	\$ -			
Total	\$ 3,477,776.00	\$ 1,406,244.55	\$ 4,410,970.55	\$ 473,050.00	\$ 18,329,442.00	\$ 23,427,354.05	100.00	100.00	

FY12	State Funded			Min. Spec. Ed.	Local		Total	% Total	% Pupil
	State Subsidy	Debt Assumed by RSU	State Contribution		Contribution Adj.	(Total RLC + ALM)			
Durham	\$ 2,736,900.22	\$ 1,425,347.96	\$ 4,162,248.18	\$ -	\$ 3,034,077.00	\$ 7,196,325.18	31.64	30.24	
Freeport	\$ 412,820.00	\$ -	\$ -	\$ 412,820.00	\$ 13,117,833.00	\$ 13,530,653.00	59.50	59.76	
Pownal	\$ 345,093.18	\$ -	\$ 345,093.18	\$ -	\$ 1,669,340.00	\$ 2,014,433.18	8.86	10.00	
RSU5 Adj	\$ (15,577.74)	\$ -	\$ (15,577.74)	\$ -	\$ -				
Total	\$ 3,479,235.66	\$ 1,425,347.96	\$ 4,491,763.62	\$ 412,820.00	\$ 17,821,250.00	\$ 22,741,411.36	100.00	100.00	

FY11	State Funded			Min. Spec. Ed.	Local		Total	% Total	% Pupil
	State Subsidy	Debt Assumed by RSU	State Contribution		Contribution Adj.	(Total RLC + ALM)			
Durham	\$ 2,830,056.18	\$ 1,449,326.95	\$ 4,279,383.13	\$ -	\$ 3,192,343.00	\$ 7,471,726.13	32.43	29.67	
Freeport	\$ 217,608.84	\$ 284,968.75	\$ 264,376.59	\$ 238,201.00	\$ 12,818,561.00	\$ 13,321,138.59	57.82	60.18	
Pownal	\$ 497,368.76	\$ -	\$ 497,368.76	\$ -	\$ 1,747,074.00	\$ 2,244,442.76	9.74	10.15	
RSU5 Adj	\$ (435,524.90)	\$ -	\$ (435,524.90)	\$ -	\$ -				
Total	\$ 3,109,508.88	\$ 1,734,295.70	\$ 4,605,603.58	\$ 238,201.00	\$ 17,757,978.00	\$ 23,037,307.48	100.00	100.00	

	State Funded				Local				
	Debt Assumed by		State	Min. Spec. Ed.	Contribution		Total	% Total	% Pupil
FY10	State Subsidy	RSU	Contribution		Adj. (Total RLC + ALM)		Contribution <sup>2</sup>	Contribution	Count <sup>3</sup>
Durham	\$ 2,832,290.37	\$ 391,511.43	\$ 3,223,801.80	\$ -	\$ 3,080,725.00	\$	6,304,526.80	28.93	29.67
Freeport	\$ 192,226.17	\$ 304,906.25	\$ 497,132.42	\$ -	\$ 12,622,425.00	\$	13,119,557.42	60.21	60.18
Pownal	\$ 593,609.59	\$ -	\$ 593,609.59	\$ -	\$ 1,773,522.00	\$	2,367,131.59	10.86	10.15
RSU5 Adj	\$ (615,653.00)	\$ -	\$ (615,653.00)	\$ -	\$ -				
Total	\$ 3,002,473.13	\$ 696,417.68	\$ 3,698,890.81	\$ -	\$ 17,476,672.00	\$	21,791,215.81	100.00	100.00

<sup>1</sup> Per Section 6.A. of the Reorganization Plan prepared by the Reorganization Planning Committee (9/18/2009), the RSU assumed liability to pay certain existing indebtedness and lease-purchase obligations for Central Office (issued 2001), FHS (issued 2002), **State Portion of MLS (issued 1990)**, FHS Heating System (issued 2008), FHS Portion of Lighting Upgrade (issued 2008), and **State Portion of DCS (issued 2009)**. In the years it was received, the full State Contribution, including the State Portion of MLS and DCS debt, is allocated towards the Total Contribution for Freeport and Durham, respectively.

<sup>2</sup> Total Contribution is calculated as Local Contribution (i.e., Total Required Local Contribution plus Additional Local Monies) plus State Contribution plus Min. Spec. Ed. Adj. State Contribution includes State Funded Debt Assumed by RSU.

<sup>3</sup> Percentage of Total Pupils as reported in Section 4.A. of the ED 279.

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8.D.

Ginny McManus &lt;mcmamusg@rsu5.org&gt;

**Corrected Documents****E. William Stockmeyer** <billstockmeyer@dwmlaw.com>

To: "lickteigm@rsu5.org" &lt;lickteigm@rsu5.org&gt;, Ginny McManus &lt;mcmamusg@rsu5.org&gt;

Cc: "foleyb@rsu5.org" &lt;foleyb@rsu5.org&gt;

Thu, Dec 14, 2017 at 11:28 AM

Michelle and Ginny,

Here are the corrections to the documents distributed to the board last night. I have also provided some comments below that may be of some assistance to the board in considering the cost sharing question.

**Please distribute the attached materials to the board and make sure the board replaces what was distributed last night with these two documents.** To avoid confusion, everyone might either discard, or mark "DO NOT USE" on the document emailed yesterday. The only significant change is to the last example on Table 2 (100% Pupil Count Model). I also found some other very minor corrections, on the order of rounding errors.

After hearing the board's discussion last night, I offer the following comments and clarifications:

1. The board may consider changing the formula, but has no obligation to change the formula. Under section 13-B of the Plan, "Cost Sharing in the RSU," the Board is not even obliged by that section to consider changing the formula. If there is an obligation to consider the formula, that would be by virtue of section 14 of the Plan, which states that the Board "shall conduct a comprehensive review of the Plan in the 5<sup>th</sup> year of the RSU's operation, to determine if any amendments are appropriate, except that any changes to the cost sharing method under section 13B will be governed by the procedure outlined in Section 13 B." Section 14 would apply to any Plan amendment, not just cost sharing. But section 14 further provides that amendments to the Plan may be considered at any time. Given that we are now in the ninth year of the RSU (four years past the 5<sup>th</sup> year), it would seem that there is no strict mandate to do anything at this particular point in time. It is up to the discretion of the board. Should there be any particular objection, the board may consider an amendment to the Plan at any time.
2. As I noted, Pownal this year is paying slightly over its valuation percentage, which is unusual. The difference is not much. Its valuation is going up as percentage of the RSU total valuation (10.27% in FY 2017 and 10.75% in FY 2018). It is paying 11.2% of local costs vs 10.75% of valuation in FY 2018, a difference of under ½ of 1% (NOTE: as I explained at the meeting, Table 1 shows 12.6% of the "Additional Local Monies," but if all the local share is considered, Pownal's share is 11.2%).
3. To be clear, however, there is nothing inherently wrong with Pownal paying slightly over its valuation. This may fluctuate from year to year. Also, as mentioned at the meeting, different members came into the RSU contributing different things (such as state subsidy, and such as Freeport's "give back" of its EPS minimum receiver adjustment). Also, members benefit by joining into a district with better education programming and cost efficiencies than they obtained on their own. These relative benefits must be considered, and as discussed in the FAQ, these benefits were considered when the formula was agreed upon and established.
4. If need for a change is identified, it is important to consider what is workable, considering the process outlined to amend the formula and its requirements.



5. It is probably important that this not become divisive. Particularly if the formula is working well or not, is somewhat subjective. Perhaps looked at more broadly, the question is whether the formula is working well or not.

6. The materials outline two types of change.

a. Table 2 shows various changes to both the "Total Required Local Contribution" component, as well as to the "Additional Local Monies" component. These are replaced with the EPS component (shared per the state methodology on Form ED 279) and the additional local funds component used by most other school districts. Table 2 shows different ways to divide additional local funds, ranging from 100% valuation (common) to 100% pupil count (not used to my knowledge).

b. Table 3, in contrast to Table 2, leaves in place the "Total Required Local Contribution" component and the "Additional Local Monies" component, but suggests changing the fixed percentages dividing up the "Additional Local Monies," to metrics based upon valuation and/or pupil counts.

7. The idea of both Tables 2 and 3 is to show total dollar impacts of various changes. The extra handout takes this one step further by showing the dollar impact, in terms of changes to the tax rates of the communities. For this purpose, I selected just three of the examples from Tables 2 and 3.

8. Conceptually, a third type of change would be to leave in place the "Total Required Local Contribution" piece, and to retain fixed percentages to be applied to "Additional Local Monies" piece, but to simply adjust the fixed percentages. In some ways, this might be the simplest change to understand. This occurred to me on the way home from the meeting, after listening to the comments of various board members. I can show examples of this if you wish.

I hope these thoughts provide further assistance to the board.

If you have any questions, or need any further assistance, please let me know.

Sincerely,

Bill

E. William Stockmeyer

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Revised 12-14-17

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TO: RSU 5 School Board

FROM: E. William Stockmeyer, Drummond Woodsum

RE: The RSU 5 Cost Sharing Formula: Evaluation and Consideration of Amendment

DATE: December 13, 2017

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Under the RSU 5 Reorganization Plan (the "Plan"), the School Board has the legal authority to consider changes to the RSU 5 cost sharing formula. This memorandum explains the components of the current formula, the legal requirements to change the formula, how the RSU 5 cost sharing formula currently works, the considerations applicable to a "fair" formula, and how the current RSU 5 formula compares with school district cost sharing formulas based on valuation or student count.<sup>1</sup> Finally, the Memorandum provides a Worksheet to compare tax impacts of amendments the Board might wish to consider as compared to the current cost sharing formula. The goal of this Memorandum is to provide the RSU 5 Board with background information to assist the Board in its periodic evaluation of the cost sharing formula, as provided by the Plan, and whether a change should be made to the current formula.

## **PART 1: COMPONENTS OF THE RSU 5 COST SHARING FORMULA**

The RSU 5 cost sharing formula applies to the portion of the Total Operating Budget and Adult Education Budget that remains after first deducting all other available revenues. The non-tax revenues, deducted first, are as follows:

- **State-Supported Debt.** The debt service on this debt is a portion of the subsidy provided by the State under its Essential Programs and Services funding model. This subsidy exists for certain state-approved school construction projects. Currently, the state-supported debt consists of debt on the Durham Elementary School that qualifies for State subsidy (*see* Maine DOE Form ED 279, sections 3.C and 4.A).

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<sup>1</sup> Due to time constraints all table calculations are subject to final verification of the RSU 5 business office.



- **Other State Subsidy.** The State provides further subsidy through its Essential Programs and Services Funding model.<sup>2</sup> The subsidy amount appears on Maine DOE Form ED 279, including the debt service subsidy described previously.
- **Miscellaneous Revenues.** This includes various non-tax revenues from miscellaneous sources, and may also include some portion of the RSU's undesignated fund balance applied to the budget. These revenues reduce the local tax burden.

After deduction of the above revenues, the remaining costs of the Total Operating Budget and Adult Education Budget are funding by the RSU cost sharing formula. Pursuant to section 13-B of the Plan, the cost sharing formula consists of three different components, each of which requires local property taxes to be raised by RSU 5 members. The three components of the current cost sharing formula are described as follows:

- **Pre-Existing Debt Component.** Under the Plan, debt existing prior to formation of the RSU for facilities not shared by the members remained the responsibility of the town using the facility that had incurred that debt. Currently, there remains about \$200,000 in Durham Debt and \$170,000 in Freeport Debt. The formula requires these two towns contribute to pay that debt as it comes due without contribution from the other RSU 5 members. About 1/3 of the Durham debt will be retired in a year and 2/3 in 2030. The Freeport debt will be retired in 2021. Notably, a town's retirement of its non-shared debt will reduce that town's share of local costs without increasing the shares of the other towns – the debt will simply no longer exist. For purposes of this Memorandum, we have assumed that a cost sharing amendment, if any, would not change this non-shared debt component of the cost sharing formula.
- **The "Total Required Local Contribution" Component.** The Plan provides for each member to pay an amount equal to its most recent total state adjusted valuation multiplied

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<sup>2</sup> The EPS model develops an amount, called the "total allocation," which the state deems to be the costs necessary to achieve desired learning outcomes. The total allocation amount in FY 2018 for RSU 5 is \$21,505,554, comprised of a state contribution and a local (meaning school district) contribution. Each RSU 5 town presumptively pays a portion of the total allocation, but not more than a maximum required effort. This happens by the following process. First, the state divides the total allocation of \$21,505,554 between the three towns based on their pupil count percentages. Each town presumptively must pay this portion of the total allocation, however, the state provides relief if the town would exceed a maximum required tax effort. The maximum required tax effort is the town's fiscal capacity (state adjusted valuation) times a statewide mill rate factor (8.19 mills in FY 2018). The most that the town must pay towards its portion of the total allocation is this "cap" amount with the state contributing the amount over the cap, if any, to RSU 5 as state subsidy on the town's behalf. The state subsidy amount paid to RSU 5 on each town's behalf, if any, is the balance of the town's portion of the total allocation. However, currently the amount the State contributes in excess of Freeport's tax effort for EPS is so low that the State also contributes an additional special education minimum receiver adjustment.



by the mill rate established by the State (in FY 2018, this mill rate was 8.19 mills).<sup>3</sup> The Plan notes that a member's share of the "Total Required Local Contribution" may exceed its local cost share expectation to be paid under EPS. The Plan further notes that any amount of a town's share of the Total Required Local Contribution that exceeds the town's required contribution to the total cost of education under the EPS model "shall be for purposes of local cost sharing." In applying the cost sharing formula, the difference between the members' Total Required Local Contributions and their required contributions under the EPS model acts to reduce the Additional Local Money amount to be shared as described below. Thus, insofar as Freeport qualifies for a special education minimum receiver adjustment under the EPS funding model (see Form ED 279, section 5.A), Freeport effectively contributes a sum to be shared with the other towns, instead of enjoying all the benefit of that adjustment.

- **Additional Local Money Component.** The remaining portion of the Total Operating Budget and Adult Education Budget is funded by the third cost sharing component, called "Additional Local Money." The cost sharing formula requires Durham to pay 21.42%, Freeport to pay 65.98% and Pownal to pay 12.60% of the Additional Local Money. Under the current formula, these percentages are fixed. The percentages were derived by the Reorganization Planning Committee ("RPC") from the amounts the towns were contributing for additional funds without state participation in the "base year," i.e., the year prior the RSU's first operational year (see RPC FAQs at page 2, revised September 28, 2008). As noted previously, before these fixed percentages are applied, Durham and Pownal effectively receive the benefit of a credit by virtue of Freeport paying a higher amount as its share of Total Required Local Contribution than if Freeport enjoyed the sole benefit of its special education minimum receiver adjustment.

Importantly, and as described above, the RSU 5 cost sharing components differ from most formulas used in the State. Whereas RSU 5 uses fixed percentages to divide Additional Local Monies, and these percentages are based upon prior contribution amounts from a base year, the formulas commonly employed by other school districts in the State generally are based upon valuations, or based on some combination of valuations and pupil counts. Also, the formulas commonly used by other school districts in the State generally apply only to additional local funds. Only about 10 other school districts statewide employ local cost sharing formulas that also apply to the members' local contributions to EPS, effectively reallocating those contributions.

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<sup>3</sup> Notably, instead of relying upon the State's measure of valuation, called "fiscal capacity," which currently is a three year average of adjusted state valuations, the Plan uses the most recent state adjusted valuations to determine the members' shares of the Total Required Local Contribution. This means that RSU 5 administrators may not rely upon the fiscal capacity numbers in the ED 279, but must use the most recent state valuation figures to compute the shares. Valuations used in the Tables of this Memorandum, however, are based upon fiscal capacity, except for figures used in or applied from the current cost sharing formula.



## **PART 2: AMENDING THE RSU 5 COST SHARING FORMULA: PROCEDURES AND APPROACH**

Section 13-B(C) of the Plan, "Changes to the Cost Sharing Method," fixed the RSU 5 cost sharing method for the first three years' of the RSU's existence. Following that period, the Plan provides that the cost sharing formula "may be changed, but shall not be required to be changed." The Plan establishes two possible procedures for RSU 5 to amend the cost sharing formula.

Under the first cost sharing amendment procedure, the RSU 5 School Board may implement the change by a majority board vote without submission to the voters, provided the board vote satisfies a special "quorum requirement" and a special "vote distribution requirement." The "quorum requirement" is that at least one Board member from each municipality must be present at the meeting. In other words, a single town could block the proposed change if all its board members are absent from the meeting, even if it were approved by a majority at a meeting attended by a regular quorum. The "vote distribution" requirement is that "[b]oard members representing two-thirds or more of the RSU population must vote in favor of the change."

Under the second cost sharing amendment procedure, a "simple majority of the RSU Board" may send a proposed change to an RSU 5 referendum vote. This procedure does not have any special quorum requirement or vote distribution requirement imposed on the board vote or on the referendum vote. The referendum election called by the School Board would require a "majority of voters in the RSU" to enact a cost sharing amendment.

## **PART 3: WHAT IS THE FAIR WAY FOR SCHOOL DISTRICT MEMBERS TO SHARE THE LOCAL TAX BURDEN?**

People are likely to disagree about what is fair. That being said, a few observations are relevant to the discussion. These observations are based in part upon our general background experience across the state and in part upon a survey of our client files.

- First, the great majority of other RSUs and MSADs in the state apply their cost sharing formulas only to the additional local funds portion of the budget.
- Second, a majority of the other cost sharing formulas are based in whole upon state adjusted valuation percentages.
- Third, a significant minority of other cost sharing formulas use a combination of valuation percentages and pupil count percentages. In most cases, 50% or more is allocated by valuation and under 50% is allocated by pupil count.
- Fourth, to our knowledge, other RSUs and MSADs do not use pupil count percentages only.

- Fifth, it is highly unusual for an RSU or MSAD to use a factor other than valuation or pupil count.
- Sixth, in changing a cost sharing formula, there are various methods to phase in the change to reduce the immediate impact.

The argument in favor of using property valuation is that, as a general principle, property taxes should be assessed in proportion to property valuation throughout a taxing district. Proportionate taxation is generally required by the Maine constitution, subject to certain express exceptions such as tree growth property, farm and open space property, and school district cost sharing methods. In a school district, the taxing district is the school district, not the individual towns. There is a shared school system, and the taxes are raised by vote of the whole district, not by separate town votes. Under this view, the role of the towns is to simply collect and to pay over the school district taxes so as to avoid the need for a separate, school district tax collection system. Proportional taxation means that two restaurants of the same property valuation should be taxed the same wherever they may be located in the taxing district. Under this view, the students are considered students of the district, rather than students of the towns, since they attend a district school system.

The argument for using pupil count is a more practical one. In some places, high valuation/low pupil count towns could not easily be encouraged to join school districts with low valuation/high pupil counts. By introducing a pupil count factor in the local cost sharing formula in addition to valuation, it was found that these towns with these differences might be encouraged to form school districts. Under this view, each town's obligation to support the schools depends on its number of students, as if it had a separate school system and a separate system of taxation for its schools. When pupil counts are used, property taxation ceases to be proportionate throughout the school district. A restaurant in one town may be taxed differently than a restaurant with the same valuation in another town, even though both restaurants support the same school system.

*[End of Part 3; remainder of page intentionally left blank]*



**PART 4: WHAT WOULD BE THE ECONOMIC IMPACT OF CHANGING THE METHOD OF SHARING COSTS TO (a) A METHOD BASED ON VALUATION AND/OR PUPIL COUNT FACTORS OR (b) A METHOD THAT CONTINUES TO USE THE TOTAL REQUIRED LOCAL CONTRIBUTION WHILE ADOPTING VALUATION AND/OR PUPIL COUNT FACTORS INSTEAD OF FIXED PERCENTAGES FOR THE “ADDITIONAL LOCAL MONIES”?**

In RSU 5, the valuation (fiscal capacity) and pupil count percentages are as follows:

**TABLE 1: COMPARING VALUATION, PUPIL COUNT, AND ADDITIONAL LOCAL MONEY (ALM) PERCENTAGES, FY 2017 AND FY 2018**

Town	2017			2018		
	Valuation %	Pupil %	ALM %	Valuation %	Pupil %	ALM %
Durham	18.36%	31.53%	21.42%	18.03%	31.66%	21.42%
Freeport	71.37%	58.47%	65.98%	71.22%	58.02%	65.98%
Pownal	10.27%	10.00%	12.60%	10.75%	10.32%	12.60%

*Note: Table uses state adjusted valuations.*

Table 1 shows that:

- Durham has a low valuation (18%) relative to its pupil count (32%). A formula weighted towards valuation reduces Durham’s relative costs, while a formula weighted towards pupil counts increases them.
- Freeport has high valuation (71%) relative to its pupil count (58%). A formula weighted towards valuation increases Freeport’s relative costs, while a formula weighted towards pupil count decreases them. Adjustments will not have as great an effect as in Durham.
- Pownal’s valuation is about the same relative to its pupil count. Its share is relatively constant whether a formula is weighted towards either valuation or pupil count.

Table 1 further shows that:

- Durham’s current, fixed, ALM percentage is between its valuation and pupil count percentages, but closer to its valuation percentage.
- Freeport’s current, fixed, ALM percentage is close to midway between its valuation and pupil count percentages.
- Pownal’s current, fixed, ALM percentage is higher than either its valuation percentage or its pupil count percentage.

The following Tables compare the existing formula with alternatives. Table 2 compares the existing formula with models that use the ED 279 contributions instead of the current formula’s calculation of “Total Required Local Contribution,” and then apply various valuation and/or pupil count methodologies to the additional local funds component (instead of to the current formula’s “Additional Local Money”). Table 3 compares the existing formula with models that retain the current formula’s calculation of “Total Required Local Contribution,” and then apply various valuation and/or pupil count methodologies to “Additional Local Money.”



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**Table 2: RSU 5 Cost Sharing Formula Compared to Various Models Based on Valuation and/or Pupil Count**

<b>Current Cost Sharing Formula (FY 2018)</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"Plan Required Local Contribution"</b>	<b>"Additional Local Monies"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,928,166	\$1,826,251	<b>\$4,957,199</b>	\$4,754,417
<b>Freeport</b>	\$169,708	\$11,560,225	\$5,625,399	<b>\$17,355,332</b>	\$17,185,624
<b>Pownal</b>	\$0	\$1,745,183	\$1,074,265	<b>\$2,819,449</b>	\$2,819,449

<b>100% Valuation Model, Applied to Addl Local Funds (Widely used in Maine)</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"ED 279 Adjusted Local Contribution"</b>	<b>"Additional Local Funds"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,892,845	\$1,641,171	<b>\$4,736,798</b>	\$4,534,016
<b>Freeport</b>	\$169,708	\$11,040,066	\$6,482,763	<b>\$17,692,537</b>	\$17,522,829
<b>Pownal</b>	\$0	\$1,724,131	\$978,513	<b>\$2,702,644</b>	\$2,702,644

<b>75:25 Valuation:Pupil Count Model, Applied to Addl Local Funds</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"ED 279 Adjusted Local Contribution"</b>	<b>"Additional Local Funds"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,892,845	\$1,951,565	<b>\$5,047,192</b>	\$4,844,410
<b>Freeport</b>	\$169,708	\$11,040,066	\$6,182,383	<b>\$17,392,157</b>	\$17,222,449
<b>Pownal</b>	\$0	\$1,724,131	\$968,500	<b>\$2,692,631</b>	\$2,692,631

<b>50:50 Valuation:Pupil Count Model, Applied to Addl Local Funds</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"ED 279 Adjusted Local Contribution"</b>	<b>"Additional Local Funds"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,892,845	\$2,261,958	<b>\$5,357,585</b>	\$5,154,803
<b>Freeport</b>	\$169,708	\$11,040,066	\$5,882,002	<b>\$17,091,776</b>	\$16,922,068
<b>Pownal</b>	\$0	\$1,724,131	\$958,488	<b>\$2,682,619</b>	\$2,682,619

<b>25:75 Valuation:Pupil Count Model, Applied to Addl Local Funds</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"ED 279 Adjusted Local Contribution"</b>	<b>"Additional Local Funds"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,892,845	\$2,571,442	<b>\$5,667,069</b>	\$5,464,287
<b>Freeport</b>	\$169,708	\$11,040,066	\$5,581,621	<b>\$16,791,395</b>	\$16,621,687
<b>Pownal</b>	\$0	\$1,724,131	\$949,385	<b>\$2,673,516</b>	\$2,673,516

<b>100% Pupil Count Model, Applied to Addl Local Funds</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"ED 279 Adjusted Local Contribution"</b>	<b>"Additional Local Funds"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,892,845	\$2,881,835	<b>\$5,977,462</b>	\$5,774,680
<b>Freeport</b>	\$169,708	\$11,040,066	\$5,281,240	<b>\$16,491,014</b>	\$16,321,306
<b>Pownal</b>	\$0	\$1,724,131	\$939,373	<b>\$2,663,504</b>	\$2,663,504



**Table 3: RSU 5 Cost Sharing Formula Compared to Models That Retain the "Total Required Local Contribution" Component and Adjust Only the "Additional Local Money" Component**

<b>Current Cost Sharing Formula (FY 2018)</b>					
<b>→ Addl Local Money: Durham 21.42%; Freeport 65.98%; Pownal 12.60%</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"Plan Required Local Contribution"</b>	<b>"Additional Local Monies"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,928,166	\$1,826,251	<b>\$4,957,199</b>	<b>\$4,754,417</b>
<b>Freeport</b>	\$169,708	\$11,560,225	\$5,625,399	<b>\$17,355,332</b>	<b>\$17,185,624</b>
<b>Pownal</b>	\$0	\$1,745,183	\$1,074,265	<b>\$2,819,449</b>	<b>\$2,819,449</b>

<b>Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)</b>					
<b>→ Addl Local Money Using Valuation: Durham 18.03%; Freeport 71.22%; Pownal 10.75%</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"Plan Required Local Contribution"</b>	<b>"Additional Local Monies"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,928,166	\$1,537,223	<b>\$4,668,171</b>	<b>\$4,465,389</b>
<b>Freeport</b>	\$169,708	\$11,560,225	\$6,072,157	<b>\$17,802,090</b>	<b>\$17,632,382</b>
<b>Pownal</b>	\$0	\$1,745,183	\$916,536	<b>\$2,661,719</b>	<b>\$2,661,719</b>

<b>Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)</b>					
<b>→ Addl Local Money Using 75% Valuation/25% Pupil Count: Durham 21.44%; Freeport 67.92%; Pownal 10.64%</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"Plan Required Local Contribution"</b>	<b>"Additional Local Monies"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,928,166	\$1,827,956	<b>\$4,958,904</b>	<b>\$4,756,122</b>
<b>Freeport</b>	\$169,708	\$11,560,225	\$5,790,802	<b>\$17,520,735</b>	<b>\$17,351,027</b>
<b>Pownal</b>	\$0	\$1,745,183	\$907,157	<b>\$2,652,340</b>	<b>\$2,652,340</b>

<b>Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)</b>					
<b>→ Addl Local Money Using 50% Valuation/50% Pupil Count: Durham 24.85%; Freeport 64.62%; Pownal 10.53%</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"Plan Required Local Contribution"</b>	<b>"Additional Local Monies"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,928,166	\$2,118,690	<b>\$5,249,638</b>	<b>\$5,046,856</b>
<b>Freeport</b>	\$169,708	\$11,560,225	\$5,509,447	<b>\$17,239,380</b>	<b>\$17,069,672</b>
<b>Pownal</b>	\$0	\$1,745,183	\$897,778	<b>\$2,642,962</b>	<b>\$2,642,962</b>

<b>Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)</b>					
<b>→ Addl Local Money Using 25% Valuation/75% Pupil Count: Durham 28.25%; Freeport 61.32%; Pownal 10.43%</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"Plan Required Local Contribution"</b>	<b>"Additional Local Monies"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,928,166	\$2,408,571	<b>\$5,539,519</b>	<b>\$5,336,737</b>
<b>Freeport</b>	\$169,708	\$11,560,225	\$5,228,092	<b>\$16,958,025</b>	<b>\$16,788,317</b>
<b>Pownal</b>	\$0	\$1,745,183	\$889,253	<b>\$2,634,436</b>	<b>\$2,634,436</b>

<b>Total Required Local Contribution: Current Cost Sharing Formula (FY 2018)</b>					
<b>→ Addl Local Money Using Pupil Count: Durham 31.66%; Freeport 58.02%; Pownal 10.32%</b>					
<b>Municipality</b>	<b>Local Non-Shared Debt</b>	<b>"Plan Required Local Contribution"</b>	<b>"Additional Local Monies"</b>	<b>TOTAL BY MUNICIPALITY</b>	<b>Adjusted Totals (if debt were retired)</b>
<b>Durham</b>	\$202,782	\$2,928,166	\$2,699,305	<b>\$5,830,253</b>	<b>\$5,627,471</b>
<b>Freeport</b>	\$169,708	\$11,560,225	\$4,946,736	<b>\$16,676,669</b>	<b>\$16,506,961</b>
<b>Pownal</b>	\$0	\$1,745,183	\$879,875	<b>\$2,625,058</b>	<b>\$2,625,058</b>

**TABLE 4: WORKSHEET TO CALCULATE TAX IMPACTS OF SELECTED AMENDMENTS AS COMPARED TO CURRENT RSU 5 COST SHARING FORMULA**

**Amendment A**

Town	(Current Formula)	Proposed Amended Formula:	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home ( or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199					
Freeport	\$17,355,332					
Pownal	\$2,819,449					

**Amendment B**

Town	(Current Formula)	Proposed Amended Formula:	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home ( or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199					
Freeport	\$17,355,332					
Pownal	\$2,819,449					

**Amendment C**

Town	(Current Formula)	Proposed Amended Formula:	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home ( or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199					
Freeport	\$17,355,332					
Pownal	\$2,819,449					

**NOTE:** Phase-in options exist, such as:

- 3 Year phase-in: Year 1, 1/3 current formula, 2/3 new formula; Year 2, 2/3 current, 1/3 new; Year 3, all new formula
- 5 Year phase-in: same idea: 20%/ 40%/ 60%/ 80 %/ 100%

**NOTE:** The above impacts have not been adjusted to account for shifts when pre-existing debt is paid off in Freeport (in 2021) and in Durham (about 1/3 next year and 2/3 in 2030). Increases in those two towns under a selected amendment would be offset when debt is retired.



## EXAMPLES OF TAX IMPACTS OF SELECTED AMENDMENTS AS COMPARED TO CURRENT RSU 5 COST SHARING FORMULA

### Amendment A: From Memorandum, Table 2-100% valuation (with pre-existing debt)

Town	(Current Formula)	Proposed Amended Formula: From Table 2-100% valuation (with debt)	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home ( or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199	\$4,736,798	(\$220,401)	(0.624 mills)	(\$62.40)	(4.45%)
Freeport	\$17,355,332	\$17,692,537	\$337,205	0.242 mills	\$24.18	1.94%
Pownal	\$2,819,449	\$2,702,644	(\$116,805)	(0.555 mills)	(\$55.48)	(4.14%)

### Amendment B: From Memorandum, Table 3-75% valuation/25% pupil count (with pre-existing debt)

Town	(Current Formula)	Proposed Amended Formula: From Table 3-75% valuation/25% pupil count	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home ( or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199	\$4,958,904	\$1,705 (nil)	0.005 mills	\$00.48	0.03% (nil)
Freeport	\$17,355,332	\$17,520,735	\$165,403	0.119 mills	\$11.86	0.95%
Pownal	\$2,819,449	\$2,652,340	(\$167,109)	(0.794) mills	(\$79.38)	(5.93%)

### Amendment C: From Memorandum, Table 3-50% valuation/50% pupil count (with pre-existing debt)

Town	(Current Formula)	Proposed Amended Formula: From Table 3-50% valuation/50% Pupil count	Tax increase/ (decrease) due to proposed amendment	Mill rate increase/ (decrease) due to proposed amendment	Tax increase/ (decrease) per \$100,000 home ( or other property)	Tax increase/ decrease as % of total school property tax burden (including EPS)
Durham	\$4,957,199	\$5,249,638	\$292,439	0.828 mills	\$82.79	5.90%
Freeport	\$17,355,332	\$17,239,380	(\$115,952)	(0.083 mills)	(\$8.31)	(0.67%)
Pownal	\$2,819,449	\$2,642,962	(\$176,487)	(0.838 mills)	(\$83.84)	(6.26%)

**NOTE:** Phase-in options exist, such as:

- 3 Year phase-in: Year 1, 1/3 current formula, 2/3 new formula; Year 2, 2/3 current, 1/3 new; Year 3, all new formula
- 5 Year phase-in: same idea: 20%/ 40%/ 60%/ 80 %/ 100%

**NOTE:** The above impacts have not been adjusted to reflect shifts when pre-existing debt is paid off in Freeport (in 2021) and in Durham (about 1/3 next year and 2/3 in 2030). Increases in those two towns under a selected amendment would be offset when this debt is retired.