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Unexpected Senate Resolution Supports Question "1A"

Legislature Adjourns Without Relief or Reform

The Maine Legislature finally adjourned at 8:00 a.m. this morning, completing its business for 2004.

Unfortunately for residential and small business property taxpayers, the much anticipated expectation that the Legislature would centerpiece its work with a package of real property tax relief (or even more ambitious comprehensive tax reform) did not materialize.

In fact, the Legislature and Governor Baldacci's final decision to nearly flat-fund K-12 education for the next fiscal year ensures a very sizable property tax increase next year for school funding, conservatively estimated at $50 million.

Multiple tax relief plans were on the table. Tax relief plans of different sizes, different designs, and different applicability. But deep divisions both between and within the political parties and between elements of the Legislature and the Governor's Office conspired against compromise and constructive action.

After two full legislative years of activity with anticipated tax reform at the very center of attention, and given the Legislature's adjournment in the wake of both no action on tax relief and the delivery of a very sizable property tax increase for FY 05, it is now more obvious than ever that Maine's lawmakers are incapable of delivering on comprehensive tax reform without being directed to do so by Maine's electorate.

What follows is a short list of the highlights and lowlights of the last hours of the legislative session. A complete wrap-up of the full legislative session will be provided in the upcoming May edition of the *Maine Townsman*. The *Townsman* will include articles on the Legislature's unsuccessful efforts at tax reform, a complete description of all new law enactments pertinent to municipalities, up-to-date information on the Palesky tax cap initiative, and the Maine Municipal Association's and the Maine Education Association's continuing efforts to push for the voters' adoption of Question 1 (formerly Question "1A") – The School Finance and Tax Reform Act of 2003 – when it comes up for a referendum vote at the June 8th Primary Election.

FY 05 GPA appropriation. The FY 05 supplemental budget finally adopted by the Legislature includes and completes the state's FY 05 appropriation for General Purpose Aid to Education (GPA). In the current fiscal year (FY 04), the appropriation for GPA was $729.6 million. The appropriation for FY 05 will be $740.4 million. The $10.8 million addition represents a 1.5% increase over the preceding year. As shown in the chart on the next page, this very modest increase in state support for public schools represents the third year in a row where the annual increase in state support is at or below the 2% level, aggressively increasing the property tax burden year after year.

A very conservative 3.5% annual increase in the total state-and-local costs of K-12 education suggests that real educational costs will grow by $60 million. The state's very modest $10 million increase will therefore result in a $50 million hit to Maine's property taxpayers.

This hardly represents a balancing of the state budget "without raising taxes"…an accomplishment you may hear some lawmakers claim.

Municipal officials also have reason to carefully check with their school superintendents to make sure they are working with accurate local projections of FY 05 school subsidy from the state. For reasons that are not entirely clear, the superintendents were issued a distribution printout based on a gross appropriation of $750 million, rather than the $740 million actually appropriated. Unless the communities have subsequently received corrected information, the local school budgeting process may be relying on inaccurate data with inflated state dollar figures that will have to be reduced.

Enactment of LD 1924 and the FY 06—FY 2010 "straight line" school funding ramp. The most positive late-session enactment is the final approval of this bill, which puts into place a coherent, straight-line school funding ramp. The ramp both commits the state to be paying 55% of the cost of the K-12 education (as measured by the Essential Programs

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ADJOURNS (cont'd)

and Services (EPS) school funding model) by the year 2010 and sets annual state commitments for each of the intervening years that move the state to that long-promised point of financial commitment in relatively even annual advancements. The problem is that the state appropriation for GPA in FY 05, the year before the ramp begins, falls completely short of fitting into the ramp, and the entire 6-year ramp is thoroughly unfunded.

Timing of the Palesky initiative. As reported previously, the Legislature was considering using its authority to schedule the Palesky tax cap initiative on the June 8th primary election rather than the November 2 General Election. Nearly two weeks ago, the Senate narrowly voted along party lines to schedule the election on June 8th, and that "Joint Order" was then sent over to the House where it sat on the table. Earlier this week, the House voted on the Joint Order and by an overwhelming margin (102-32) rejected the idea. Because the Legislature failed to establish an earlier scheduling date, the Palesky initiative will therefore be scheduled for the November 2 General Election.

LD 1921, the school regionalization bill. This bill, which would have created incentive and penalty systems designed to create bigger school administrative districts, regional school cooperatives, and the so-called "consulting school units", was killed by the Legislature in both the House and the Senate.

Bonds. There were four major proposed bond issues before the Legislature, for transportation, environmental infrastructure, economic development and the Land for Maine's Future program. All proposed bond issues were killed by the Legislature.

Surprise Senate Resolution to Support Question "1A". In the last few minutes of the legislative session, Senator Ken Gagnon (Kennebec County) presented to the Senate a resolution co-sponsored by Senator Art Mayo (Sagadahoc County), which is enclosed with this *Bulletin*. The resolution speaks for itself. Senator Gagnon explained to his colleagues in the Senate that the purpose of the resolution was to indicate a commitment to produce the education funding goals and the revenue-neutral comprehensive tax reform that is the vision of the Question 1A initiative that will be on the June 8th ballot. At the same time, the resolution recognizes the compromise work that has been accomplished during this legislative session by a group of legislators (known as the "Tax Working Group") from all political parties, both the Senate and the House, and with input from Maine Municipal Association and the Maine Education Association. When the resolution of Senator Gagnon and Senator Mayo was put to a vote, 14 Maine Senators voted to adopt the resolution and 20 voted not to adopt it.

The Senators voting to support the resolution were: Senator Bruce Bryant (Oxford Cty.), Senator Mary Cathcart (Penobscot Cty.), Senator Beverly Daggett (Kennebec Cty.), Senator Neria Douglass (Androscoggin Cty.), Senator Beth Edmonds (Cumberland Cty.), Senator Ken Gagnon (Kennebec Cty.), Senator Chris Hall (Lincoln Cty.), Senator Pam Hatch (Somerset Cty.), Senator John Martin (Aroostook Cty.), Senator Art Mayo (Sagadahoc Cty.), Senator Peggy Pendleton (Cumberland Cty.), Senator Steve Stanley (Penobscot Cty.), Senator Ethan Strimling (Cumberland Cty.), and Senator Sharon Treat (Kennebec Cty.).

Although the resolution failed, the recognition by at least those 14 Senators that the blue-print for tax reform established by Question 1A has merit, is workable, and will be actively supported by those legislators during the upcoming campaign is invaluable. In the midst of the Legislature's demonstrated inability to tackle the deep-structure problem of Maine's property tax burden, the willingness of these legislators to offer constructive support and on-the-record commitment toward a solution is a light in the darkness, and deserves the recognition of municipal officials (and the property taxpayers they serve) throughout the state.

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GPA Changes Since 2002

	Total GPA	$ Change Over Prev. Yr	% Change Over Prev. Yr	Approx. $ Increase in Property Tax*
2002	701,963,438			
2003	714,543,588	12,580,150	1.79	43,812,960
2004	729,574,321	15,030,733	2.10	43,336,136
2005	740,410,576	10,836,255	1.49	49,573,455

Sources: Department of Education
2004 & 2005 State Budget Documents
* Portion of the increase in K-12 education costs supported by the property tax based on a conservative estimate that the cost of K-12 education increases 3.5 annually....average annual increase over past decade has been approx. 5%.

STATE OF MAINE

IN THE YEAR OF OUR LORD TWO THOUSAND AND FOUR

SENATE RESOLUTION TO ENDORSE REFERENDUM QUESTION 1-A

WHEREAS, a plurality of Maine voters have endorsed the referendum issue known as "Question 1-A," a proposal to increase education funding and reduce property taxes; and

WHEREAS, the voters will be asked to decide this issue finally in June; and

WHEREAS, both Houses of the Legislature and the Governor have been unable to reach agreement on a meaningful alternative; and

WHEREAS, the Maine Senate is concerned that property taxes in Maine are too high and pose an unfair burden on many Maine taxpayers; now, therefore, be it

RESOLVED: That the Maine Senate endorses Question 1-A and urges its passage with the following understandings:

1. If Question 1-A passes its provisions will be adjusted to incorporate the Essential Programs and Services model as passed by the Legislature as it applies to all education funding, including special education funding;

2. That the provisions of Question 1-A will be phased in equally over 2 biennial state budgets; and

3. That the increase in funding for schools required by passage of Question 1-A will be made up by use of surplus, growth in the State's economy, efficiencies, cuts in current programs and increased revenues.