

Bonds, Workers Comp, Gas Tax Remain

Legislative Session Draws To A Close

Except for a “veto day” to be scheduled later in the month, this legislative session is drawing to a close. Before the week is out, the major legislative initiatives affecting municipal government should be decided.

The April issue of the *Maine Townsman* will contain our “wrap-up” of the legislative session. What follows is a brief summary of the major late-session issues.

Tax Reform. LD 2086 and LD 2087 were the two bills that together constituted the comprehensive tax reform legislation that would have sent out to the voters a referendum proposal to establish a cap on property taxes to support education, and broaden the sales tax base and reduce the individual Maine tax rates so that the state can meet its K-12 education funding obligation and otherwise balance the state’s overall tax code. Although the House of Representatives was receptive to the plan, the Senate has rejected it out-of-hand.

Although the House is still sticking to its guns and asked for a “Committee of Conference” to work out a compromise, the Senate said “no” to a conference and tax reform in 2002 is dead.

Workers’ Compensation. The big fight to close the session out will be over Workers’ Compensation. A Maine Supreme Court decision interpreted Workers’ Compensation law to allow injured employees to combine work-related injuries with previous, non-work related injuries in order to be deemed eligible for permanent WC benefits as a permanent, partially impaired employee. Governor King submitted a bill (LD 2202,

An Act to Ensure that 25% of Workers’ Compensation Cases with Permanent Impairment Remain Eligible for Duration-of-disability Benefits in Accordance With the Workers’ Compensation Act) that would overturn this decision, bringing Maine into conformity with all other U.S. states by keeping non-work related injuries out of WC benefit determination. If the Supreme Court decision is not corrected, the National Council on Compensation Insurance (NCCI) estimates that Workers Compensation premiums to all Maine businesses, municipalities, schools, etc., would increase by 15%.

The Senate has accepted the Governor’s bill. Early Saturday morning, the House adopted a competing approach that would limit the ability to combine work-related with non work-related injuries, but would allow the combining of the immediate work-related injury with “any preexisting condition or injury that is aggravated or accelerated by the work injury at issue.”

According to information just provided by NCCI, the version of Workers’ Compensation amendments adopted by the House would increase Workers’ Compensation premiums from 10.2% to 12.6% going forward, costing Maine businesses, municipalities and schools from \$31 to \$38 million annually in increased Workers’ Compensation expenses. In addition, the *retroactive costs* are estimated to fall in the \$109 - \$202 million range.

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Municipal Officials should call their legislators and ask them **NOT TO VOTE TO INCREASE THE COSTS OF WORKERS COMPENSATION IN MAINE.**

Bond Package. The bond package is still in a state of some disorganization. We know there are going to be three separate bond proposals, one for school and other facilities, one for environmental improvements and one for economic development and job stimulus. The Appropriations Committee has reported out three separate reports (A, B and C) on the three separate bond packages, and none of the reports are getting the two-thirds support they need in House and Senate to be sent to the voters in November.

What has not yet been agreed to between the House and Senate, between the two major parties and between the Legislature and the Governor's Office is the overall size of the entire bond package. The range is from \$82 million to \$130 million, with the Governor coming in somewhere in between.

Because certain elements of each of the three bond packages are particularly important to municipal government, the best strategy for municipal officials is to communicate with legislators and express their top priorities.

MMA's top priorities are:

- The Municipal Investment Trust Fund (MITF). Report C from the Appropriations Committee would inject \$5 million into the MITF. Report A would dedicate \$4 million to MITF. Report B would put zero dollars into the MITF. This Trust Fund is 10 years old and was created to provide non property tax resources to municipali-

ties for the purpose of supporting economic development and growth-related infrastructure. In its 10-year history, the Legislature has allowed just \$300,000 into the fund. It is absolutely the right time for the Legislature to make a commitment to the Municipal Investment Trust Fund.

- School Renovation. The full \$15 million dedication to the School Renovation Fund would bring the Legislature's 4-year investment program to the full \$100 million level as originally planned. (Reports A and C)

- Environment. The full compliment of support for the environmental infrastructure (wastewater and drinking water facilities, DEP's Small Community Program, landfill remediation, etc.) Only Report A from the Appropriations Committee supports the \$8 million in state support for wastewater facility infrastructure (grants and loans). Reports B and C cut that level of support down to \$5 million, removing some grant projects.

Affordable Housing. LD 2099, *An Act to Provide for Livable, Affordable Neighborhoods*, caused a great deal of consternation among municipalities, for good reason. The bill would have established maximum lot size standards for housing developments in as many as 130 municipalities especially identified by the Maine State Housing Authority, overturning the neighborhood design standards developed by the local voters. The bill was strongly rejected by the Legislature. Only a tiny remnant of the bill was enacted – a working definition of “affordable housing” as housing that is affordable to households with incomes at or below 80% of the regional median.

Subdivision Uniformity. LD 2119, *An Act Relating to Subdivision Review and Title Search Procedures*, has been enacted by the Legislature over municipal objections. As a result of the enactment, all municipalities will have to administer their subdivision review procedures using nothing other than the statutory definition of “subdivision”. The total preemption of alternative, stricter municipal definitions of subdivision will kick-in after January 1, 2006. Between January 1, 2003 and January 1, 2006, if a municipality wishes to preserve its alternative definitions, it will have to file its definition in the local registry of deeds.

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