

## Joint Rule Up in Smoke: Coalition Plan Survives

On Tuesday this week, the House of Representatives, in a pure party-line vote (85-60), cancelled a Joint Rule that would have required a 2/3 vote of the Legislature in order for the State to exceed the spending cap imposed by LD 1. The journey of this Joint Rule has been written about in the previous two *Legislative Bulletins*.

This action of the House threatened to kill one of the key components of the tax burden reduction package being endorsed by a coalition of interests including MMA, the Maine Education Association, the Maine State Chamber of Commerce, the Maine Hospital Association and the Maine Service Center Coalition. That package is embodied in a bill that has been submitted with the "LR" number 1386 and the title "An Act to Ensure Responsible Government Spending and Investment."

The House vote followed the release of a legal opinion by the Attorney General (AG) that the Joint Rule was "in conflict" with Maine's Constitution. According to the AG, a joint rule requiring a 2/3 supermajority vote for any non-emergency legislation would conflict with the "presentment clause" and the "quorum provision" of the state's Constitution. While an Attorney General opinion is not a binding prohibition, it is a widely accepted hurdle that legislators may place before legislation. Without saying so directly, the AG's opinion implies that a law that was on the books for a long time regarding the management of Maine's Rainy Day Fund was also unconstitutional because it required a 2/3 vote under certain

circumstances...an apparent unconstitutionality that no one seemed to notice for 20 years.

Anyone interested in obtaining a copy of the AG's opinion should contact MMA's Laura Veilleux at 1-800-452-8786.

Nevertheless, the House did vote (139-0) to adopt a "Joint Resolution Expressing the Intent of the Legislature to Restrain Governmental Expenditures." The Senate similarly adopted this Joint Resolution and then took the next step by reportedly passing (30-1) a "reaffirmation" of its desire to impose a restriction of some kind as a binding rule rather than a nonbinding resolution.

As the title of the Joint Resolution indicates, a resolution is an expression of intent and does not carry the force of law or a rule. However, it is a political expression that legislators do not generally take lightly. They have, in a unanimous vote, pledged to adhere to the spending limit imposed by LD 1. The only consequence of not adhering to that limit will be the political backlash for breaking a pledge.

Of note is the possibility for the Legislature to adopt a Joint Rule requiring voter approval of any spending above the LD 1 limit. This would minimize the disruption to "majority rule" that many Democrats had expressed as a reservation about the 2/3 Rule, it would presumably avoid any constitutional objections, and it would parallel the heightened override procedures that the coalition's plan would create for all other levels of government.

Despite the state's inability to im-

pose an enforceable limit on itself, MMA's Legislative Policy Committee voted on Thursday to continue to work toward the adoption of the tax burden reduction package (LR 1368), which includes tightened-up spending override procedures for county, municipal and school budgets. As reported in last week's Bulletin, the coalition's plan also offers a comprehensive alternative approach to the regionalization of K-12 administrative services...an approach that taps into community-based decision making rather than rolling over the local voice as proposed in Governor Baldacci's K-12 consolidation plan.

## MMA Analyzes LD 1 in Year 2

Municipalities increased property taxes for municipal services by 2.13 percent in 2006, far below the 4.75 percent aggregate increase allowed under LD 1, according to the Maine Municipal Association's second-year progress report on the spending limits of this state law passed in January, 2005.

The new report, titled "LD 1 in Year 2," is generally positive, showing that local, county and state governments all have operated within LD 1 limits in the first two years of the program, while schools continued to exceed their limits.

But even with the schools struggling under the LD 1 limits, the law has had its intended result.

According to the new MMA report, 81% of the school units were unable to adhere to their LD 1 spending limitation, which is established under the state's school funding model Essential Programs

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# Municipal Lines in the Proposed State Budget

In last week's edition of the *Legislative Bulletin*, Governor Baldacci's proposed two-year state budget was detailed with respect to the school consolidation proposal.

The draft budget also contains a number of lines that affect purely municipal, non-educational services. In most cases, the proposed budget impacts on municipalities are not dramatic. Most of the municipal lines are held essentially flat or show modest increases or decreases.

• **Local Government Efficiency Fund.** Out of all the flatness, the brightest element of the proposed budget is the full, unadulterated funding of the Local Government Efficiency Fund. This Fund was created by the voters when they adopted Question 1A on June 8, 2004, but the Governor and the Legislature have never allowed that Fund to be capitalized or fully used as it was intended. The Fund is capitalized with 2% of all municipal revenue sharing proceeds, and the funds are then distributed to the municipalities through a competitive grant basis. Under the terms of the program, the successful municipal or multi-municipal applicants submit collaborative system-delivery changes that they have designed and will clearly result in efficiencies. Until now the Legislature has either directly raided those funds (FY 06) or appropriated small amounts for the same purpose (\$500,000 in FY 07). According to the budget document, if the Local Government Efficiency Fund is fully capitalized as the Governor is proposing, \$2.65 million will be avail-

able during FY 08 and \$2.75 million during FY 09.

• **Homestead exemption.** If the Homestead property tax exemption program is left unchanged (with its \$13,000 exemption that is 50% reimbursed by the state) the proposed budget projects a statewide reimbursement cost of \$28.6 million in FY 08 and \$29 million in FY 09. Those numbers are down from recent years (\$40 million in 2003, for example) and way down from the original appropriation for the Homestead exemption when it was enacted in 1998. 10 years ago, legislators hoped to be providing in the neighborhood of \$45 million of property tax relief through the homestead exemption. Some of the reductions in the punch of the homestead exemption are due to the almost annual redesign of the system over the last several years, from the "graduated" homestead exemption in 2004 to the \$13,000 ungraduated (but only 50% reimbursed) homestead exemption created in the Legislature's LD 1 enactment of 2005. Another reason is the statewide reduction in full value mill rate.

• **Tree Growth tax reimbursements.** The statewide cost for reimbursing municipalities to prevent a mill rate increase and tax burden shift associated with the Tree Growth tax program are projected in the budget to be nearly flat, at \$5.6 million for FY 08 and \$5.7 million for FY 09. Tree Growth reimbursements have been essentially fixed at this level (or suppressed levels) for a decade. For example, the Tree Growth reimbursement in 1998 was essentially the same as is being proposed for FY 2008.

• **Veterans' tax reimbursements.** The statewide cost for the veterans' tax program reimbursement is projected to drop 10% from \$895,000 a year to \$800,000 in FY 08. The veterans' tax reimbursement program has also been fixed at this level for over a decade.

• **Forest fire assistance grants.** In the proposed budget, municipal assistance grants for forest fire control are held perfectly flat at \$47,000.

• **County jail prisoner support.** In the proposed budget, the annual appropriation for state assistance for county jail prisoner support is held perfectly flat at \$5.74 million. The annual cost statewide for the counties to operate their jails is in the \$80 million range.

• **CDBG grants.** Community Development Block Grants (CDBG) will apparently be dropping fairly significantly with this proposed budget, because of actions at the federal level. Because of reductions in the Federal Block Grant Fund in the 11% range, the statewide CDBG distributions are projected to drop from \$26 million to \$23 million in FY 08, and further drop to \$22 million in FY 09.

• **General Assistance reimbursement.** The General Assistance reimbursement line in the proposed budget is hard to follow. For years, the Legislature has been combining a General Fund appropriation of \$6.5 million with a relatively small \$1.8 million federal block grant to generate the resources to meet the state's (general) 50% reimbursement obligation for direct GA benefits issued by the towns and cities. In the proposed budget, the \$6.5 million General Fund appropriation stays flat, but the \$1.8 million in federal block grant funds is diverted to the TANF (formerly AFCD) program.

• **Municipal revenue sharing.** First, in 2000 the Legislature enacted an increase to municipal revenue sharing by increasing the percentage of sales and income tax revenue dedicated to revenue sharing from 5.1% to 5.2%. The increase was part of a legislative package to enact the so-called "Revenue Sharing II" system. The Revenue Sharing II system itself was implemented, but the Legislature has never implemented the increase to revenue sharing that was supposed to go along with the creation of "Rev II" seven years ago. Instead, every two years the Legislature pushes the actual implementation of the revenue sharing increase two more years into the future. In this budget, the implementation date is pushed ahead again to 2009.

Setting that issue aside, there is some sort of initiative embedded in the lines in the proposed budget regarding municipal revenue sharing. In the overview, the aggregate amount of sales and income

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## Legislative Bulletin

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(The bill summaries are written by MMA staff and are not necessarily the bill's summary statement or an excerpt from that summary statement. During the course of the legislative session, many more bills of municipal interest will be printed than there is space in the *Legislative Bulletin* to describe. Our attempt is to provide a description of what would appear to be the bills of most significance to local government, but we would advise municipal officials to also review the comprehensive list of LDs of municipal interest that can be found on MMA's website, [www.memun.org](http://www.memun.org).)

### **Appropriations & Financial Affairs**

LD 215 – An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2007. (Emergency) (Sponsored by Rep. Fisher of Presque Isle; additional cosponsors.) (Governor's Bill)

This bill is the Governor's proposed supplemental budget bill to adjust the current fiscal year budget for the state (FY 07). There are very few items in the supplemental budget that directly impact municipal government. One line appropriates \$166,000 from an "other special revenue fund" to provide additional revenue to the Fund for Efficient Delivery of Local and Regional Services. This appropriation apparently supplements the \$500,000 originally appropriated to that Fund to fully cover the grants that were awarded as a result of that competitive application process. The supplemental budget also appropriates \$270,000 from an "other special revenue fund" to provide the necessary funding for the Excise Tax Account reimbursement to the municipalities established as part of the commercial truck excise tax system.

LD 218 – An Act To Authorize a General Fund Bond Issue To Encourage Municipal High-speed Internet Access. (Sponsored by Rep. Bliss of South Portland; additional cosponsors.)

This bill would send out to the voters a \$2 million bond proposal to provide matching funds to communities to build the infrastructure necessary to provide high-speed Internet access to underserved areas of the state.

### **Criminal Justice & Public Safety**

LD 146 – An Act To Enhance Self-defense. (Sponsored by Rep. Cebra of Naples; additional cosponsors.)

This bill removes the prohibition on concealing a dangerous weapon for a person other than a holder of a concealed weapons permit. The bill also removes related prohibitions on having a loaded firearm (or crossbow) in a motor vehicle for non-permit holders.

LD 147 – An Act To Require as a Condition of Probation for Sex Offenders the Approval of a Residence by a Probation Officer. (Sponsored by Rep. Crockett of Augusta; additional cosponsors.)

This bill requires a probation officer to approve the residential location of a convicted sex offender.

LD 192 – Resolve, Directing the Department of Public Safety to Make a Map Available on the Sex Offender Registry. (Sponsored by Rep. Silsby of Augusta; additional cosponsors.)

This resolve directs the Department of Public Safety to make available on the publicly accessible sex offender registry a map showing where sex offenders reside.

LD 195 – An Act To Promote the Safety of Children. (Sponsored by Rep. Simpson of Auburn; additional cosponsors.)

This bill requires local law enforcement agencies to notify the day care centers in a municipality whenever a sex offender who has been conditionally released or discharged is domiciled, residing, working, or going to school in that municipality.

LD 239 – An Act To Provide a Felony Penalty for Assault on a Firefighter. (Sponsored by Rep. Duchesne of Hudson; additional cosponsors.)

This bill establishes an assault on a firefighter while the firefighter is engaged in the firefighter's official duties as a Class C crime, which parallels current law with respect to assaults on police officers and emergency medical service providers.

### **Education & Cultural Affairs**

LD 196 – An Act To Modify the Maine Learning Results System. (Sponsored by Rep. Finch of Fairfield.)

This "concept draft" bill proposes to enact several modifications to the Learning Results law, but no detail on those modifications is provided.

LD 222 – An Act To Ensure the Integrity of School Crisis Response Plans. (Sponsored by Rep. Simpson of Auburn; additional cosponsors.)

This bill makes the approval of a school's crisis response plan public information but makes the contents of such a plan confidential.

### **Health & Human Services**

LD 168 – An Act To End Fraud in Maine's Welfare Benefit Programs. (Sponsored by Rep. Walcott of Lewiston; additional cosponsors.)

This "concept draft" bill proposes to enact measures that would address and mitigate fraud in the state's welfare benefit programs.

### **Inland Fisheries & Wildlife**

LD 153 – An Act To Improve the Control and Prevention of Invasive Plant Infestations. (Sponsored by Rep. Eberle of South Portland; additional cosponsors.)

This bill incorporates the \$10 lake and river protection sticker fee with the watercraft registration fee for Maine registered boats by increasing the various watercraft registration fees for operating on inland waters of the state by \$10, and requiring the placement of a lake and river protection sticker only on those watercraft registered outside of Maine.

LD 167 – An Act To Allow Military Personnel Stationed in Maine To Register All-terrain Vehicles As Residents. (Sponsored by Rep. Lansley of Sabattus; additional cosponsors.)

This bill allows members of the military and their family members to register an ATV at the cost of resident registration, and the registration fees collected would have to be allocated as if the person registering the ATV were a resident of the municipality in which the military member's post, station or base is located.

### **Judiciary**

LD 199 – An Act To Improve the Lien Process. (Sponsored by Rep. Fletcher of Winslow; additional cosponsors.)

This bill would require a notice of lien or the notice of a discharge of any lien be sent by registered mail to the executor or personal representative of the decedent's estate if the owner of the property dies.

LD 223 – An Act To Amend the Maine Tort Claims Act. (Sponsored by Rep. Plummer of Windham; additional cosponsors.)

This bill amends the Maine Tort Claims Act to require a school

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## **HOPPER (cont'd)**

to have insurance to cover an injury to students who could be injured on a playground during normal school hours when students are allowed on the playground and when staff is required to be present. The bill suggests that the requirement would not have the effect of waiving any immunity.

### **Legal & Veterans Affairs**

LD 203 – An Act Concerning Student Voter Registration. (Sponsored by Rep. Knight of Livermore Falls; additional cosponsors.)

This bill removes the residency for voting purposes of any student living in housing owned by the institution of learning that the student attends unless the student was previously a resident of that municipality.

### **State & Local Government**

LD 176 – An Act To Provide Notice to the General Public about Proposed Initiative Questions. (Emergency) (Sponsored by Sen. Strimling of Cumberland Cty.)

This bill requires the Secretary of State to provide notice to the general public when the Secretary drafts a question that will be on the ballot for a citizen initiative, and allow the general public to comment on the accuracy of the proposed question before finalization.

LD 202 – An Act Requiring the Municipal Clerk to Inspect Municipal Election Ballots. (Sponsored by Rep. Blanchard of Old Town; additional cosponsors.)

This bill requires municipal election clerks to break the seal and inspect ballots for errors prior to municipal elections.

LD 205 – An Act To Require Regulatory Impact Estimates on Private Property. (Sponsored by Rep. Emery of Cutler; additional cosponsors.)

This bill requires state agencies to develop and make available financial impact statements on the effect of any proposed rules on private property values.

LD 214 – An Act To Initiate the Intergovernmental Advisory Commission's Blueprint for Government. (Reported by Rep. Barstow of Gorham for the Intergovernmental Advisory Commission.)

This bill, called the Intergovernmental Advisory Commission's Blueprint for Government, abolishes the budget adoption authority that exists to some degree with 10 county budget committees or budget advisory committees and restricts the authority to adopt county budgets to just the county commissioners throughout Maine. The bill also establishes an apportionment committee to develop and organize countywide referenda in all 13 counties in Maine that have three commissioners and do not have a charter for the purpose of giving a controlled choice to the voters in those 13 counties to create a 7-member board of commissioners. If that vote fails, the county will adopt by default a 5-member board of commissioners.

### **Taxation**

LD 158 – An Act To Allow a Local Option Sales Tax. (Sponsored by Rep. Hogan of Old Orchard Beach; additional cosponsors.)

This bill authorizes a municipality to adopt by referendum a locally-imposed meals and lodging tax of up to 4%. If authorized by the municipal voters, the supplemental meals and lodging tax revenue would be collected in the same manner as the existing meals and lodging tax and remitted to the municipality by Maine Revenue Services. The tax revenue would have to be held in a separate account by the municipality from which it could be withdrawn by a vote of the local legislative body for the purpose of reducing the property tax commitment.

LD 172 – An Act To Increase the Property Tax Exemption

for Veterans. (Sponsored by Rep. Nass of Acton; additional cosponsors.)

This bill increases the value of the veterans' property tax exemption from \$5,000 to \$6,000.

LD 174 – An Act To Increase the County Share of the Real Estate Transfer Tax. (Sponsored by Sen. Raye of Washington Cty; additional cosponsors.)

This bill increases the counties' share of the real estate transfer tax that is collected at the county level from 10% of all collected revenue to 30% of all collected revenue, with the increases phased in over a two-year period.

LD 179 – An Act To Make Changes to the Maine Residents Property Tax Program. (Sponsored by Sen. Sullivan of York Cty; additional cosponsors.)

This bill allows property tax and rent rebate benefits under the Circuit Breaker program to be provided to a person who rents his or her property provided the rental period is no more than 31 days during the course of the year. This bill also provides that the income of a postsecondary student who is living in the subject property is not counted for the purposes of the parents' claim under the Circuit Breaker program.

LD 207 – An Act To Reduce the Meals and Lodging Tax. (Sponsored by Rep. Cressey of Cornish; additional cosponsors.)

This bill reduces the rate of the meals and lodging sales tax from 7% to 5%.

LD 208 – An Act To Eliminate Tax Increment Financing for Retail Businesses. (Sponsored by Rep. Simpson of Auburn; additional cosponsors.)

This bill prohibits local legislative bodies from adopting Tax Increment Financing arrangements for retail businesses.

LD 227 – An Act To Allow the Reimbursement of Motor Vehicle Excise Taxes in Certain Cases. (Sponsored by Rep. Holman of Fayette; additional cosponsors.)

This bill requires any unused motor vehicle excise tax payments, on a pro-rated basis, to be returned to the owner or lessee of the motor vehicle as a refund.

LD 237 – An Act To Amend the Maine Tree Growth Tax Law. (Sponsored by Sen. Plowman of Penobscot Cty; additional cosponsors.)

This bill provides that a parcel of land 500 acres or larger that is enrolled in the Tree Growth tax program must be open to the public for hunting, fishing, trapping, snowmobiling and hiking.

### **Transportation**

LD 160 – An Act To Provide Safe All-Terrain Vehicle Access on Public Ways. (Sponsored by Rep. Marley of Portland; additional cosponsors.)

This bill amends the existing law governing the allowance of ATV operation within the public way. Existing law allows the municipal officers or county officers or Maine Department of Transportation, as applicable, to authorize ATV use of the "extreme right" of certain roads within their respective jurisdiction. This bill would allow access to be allowed simply "within" the public right of way, with the exact location determined on a "case-by-case basis".

LD 161 – An Act To Prohibit the Use of Cellular Telephones by Minors while Driving. (Sponsored by Rep. Hogan of Old Orchard Beach; additional cosponsors.)

This bill prohibits the use of cellular telephones by minors when operating a motor vehicle.

LD 188 – An Act To Authorize a General Fund Bond Issue for Public Transportation in Rural Areas. (Sponsored by Rep. Schatz of Blue Hill; additional cosponsors.)

This bill would send out to the voters a \$2.5 million bond proposal for public transportation in rural parts of the state.

## LEGISLATIVE HEARINGS

*NOTE: You should check your newspapers for Legal Notices as there may be changes in the hearing schedule. Weekly schedules and supplements are available at the Senate Office at the State House and the Legislature's web site at <http://www.state.me.us/legis/senate/Documents/hearing/ANPHFrame.htm>. If you wish to have updates to the Hearing Schedules e-mailed directly to you, sign up on the ANPH homepage listed above. Work Session schedules and hearing updates are available at the Legislative Information page at <http://www.state.me.us/legis/>.*

### **Monday, January 22**

#### **Appropriations & Financial Affairs**

**Room 228, State House, 1:00 p.m.**

**Tel: 287-1316**

LD 215 – An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2007. (Emergency) (Sponsored by Rep. Fisher of Presque Isle; additional cosponsor.) (Governor's Bill)

With Joint Standing Committees on Transportation; Inland Fisheries & Wildlife; Legal & Veterans Affairs and State & Local Government

#### **Criminal Justice & Public Safety**

**Rm. 436, State House, 10:00 a.m.**

**Tel: 287-1122**

LD 32 – An Act To Create a Regional Jail System. (Sponsored by Rep. Weddell of Frankfort.) (By request)

LD 67 – An Act To Reduce the Cost of the Operation of County Jails. (Sponsored by Rep. Crockett of Augusta; additional cosponsors.)

### **Tuesday, January 23**

#### **Appropriations & Financial Affairs**

**Room 228, State House, 1:30 p.m.**

**Tel: 287-1316**

LD 215 – An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2007. (Emergency) (Sponsored by Rep. Fisher of Presque Isle; additional cosponsor.) (Governor's Bill)

With Joint Standing Committees on Labor; Agriculture, Conservation & Forestry; Education & Cultural Affairs; Taxation; Marine Resources and Criminal Justice & Public Safety

#### **Transportation**

**Room 126, State House, 3:00 p.m.**

**Tel: 287-4148**

No LD #A – An Act to Make Supplemental Allocations from the Highway Fund and Other Funds for the Expenditures of State Government and to Change Certain Provisions of State Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2007.

### **Wednesday, January 24**

#### **Appropriations & Financial Affairs**

**Room 228, State House, 9:00 a.m. (all day)**

**Tel: 287-1316**

LD 215 – An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2007. (Emergency) (Sponsored by Rep. Fisher of Presque Isle; additional cosponsor.) (Governor's Bill)

With Joint Standing Committees on Health & Human Services

#### **Criminal Justice & Public Safety**

**Rm. 436, State House, 1:00 p.m.**

**Tel: 287-1122**

LD 96 – An Act To Require a Test for Operating under the Influence for a Driver Involved in an Accident That Caused Bodily Injury. (Sponsored by Rep. Schatz of Blue Hill; additional cosponsors.)

LD 68 – An Act To Provide a Reward for Information regarding the Murder of a Law Enforcement Officer. (Sponsored by Rep. Harlow of Portland; additional cosponsors.)

### **Thursday, January 25**

#### **Transportation**

**Room 126, State House, 1:30 p.m.**

**Tel: 287-4148**

LD 13 – Resolve, To Return Swanville Road in Frankfort to State Road Classification. (Sponsored by Rep. Weddell of Frankfort; additional cosponsors.)

LD 14 – Resolve, To Direct the Department of Transportation to Better Ensure the Safety of Students Traveling to and from School in Waterboro. (Sponsored by Rep. Jacobsen of Waterboro; additional cosponsors.)

LD 23 – An Act To Clarify the Use and Purpose of Center Turn Lanes. (Sponsored by Sen. Savage of Knox Cty.)

LD 24 – An Act to Make Failure to Wear a Seat Belt a Primary Offense. (Sponsored by Sen. Savage of Knox Cty.)

## **LD 1 (cont'd)**

& Services (EPS). In the aggregate, schools exceeded the 100 percent EPS benchmark by \$132 million, or 7.5 percent.

Meanwhile, 60 percent of the municipalities participating in the survey, representing 52% of Maine's total population met the LD 1 goals. Nearly 40 percent of those communities actually reduced their property tax collections from the previous year for municipal services, and preliminary data from Maine Revenue Services reveals that over 20% of all towns and cities statewide cut their total property tax collections (including property taxes for municipal, school and county services) from the prior year. The MMA report details all of that information on a town-by-town basis.

The data shows that of the 300-plus municipalities participating in the study, 40 percent (representing 18 % of Maine's population) exceeded their LD 1 limits last year by an average of 12%, compared to 5% in the first year. More study is needed to find out what is driving those overages but an initial analysis in the report suggests that the smaller communities have budgets that are exposed to greater year-to-year volatility than the larger units of municipal government.

In summary, the 60% of municipal governments that met the LD 1 goals did so well enough to offset the 40% that went over the limits. That resulted in an aggregate 2.13% increase in property taxes for municipal services – about half of the 4.75 percent increase allowed under LD 1, and well below the annual growth in total personal income. That is the key. When governmental spending

grows more slowly than the growth in personal income, the tax burden is reduced.

Another positive sign on the municipal side is the fact that in the 101 communities that participated in both the 2005 and 2006 LD 1 surveys, property taxes for municipal services grew by 2.3% in the first year and just 1.0% in the second year.

While state and county governments complied with the LD 1 limits, each enjoyed temporary exemptions of certain revenue from the LD 1 limit calculation. For the state, the temporary exemption is the annual increase in education funding until the 55% threshold is met next year; Lincoln and Sagadahoc counties were allowed to exempt the cost of their new regional jail facility for two years, ending after calendar year 2007.

Another observation made in the report is that about 40% percent of state revenue is in the General Fund and only General Fund appropriations are subject to the LD 1 limits. By comparison, the vast majority of municipal, school and county government revenue falls within the bounds of LD 1.

While acknowledging the positive progress, the report also indicates some areas that could cause concern as we go forward.

Chief among them is the continued annual growth in total state and local spending on K-12 education. While the impacts on the aggregate property tax obligations for public education have been positive with the adoption of Question 1A and the enactment of LD 1, the combined state and local spending for public education is still increasing at a

pace that could cause renewed property tax problems if left unchecked. If that trend continues after the state has fulfilled its 55 percent funding obligation in 2010, local property taxpayers will be pressured to cover the overages, mitigating or even arresting property tax relief in many communities.

The MMA's second-year LD 1 report relied on information from various sources, most importantly a survey of members in which 303 municipalities responded.

The report is available online at [www.memun.org](http://www.memun.org) and includes town-by-town and school-by-school data as well as other related information.

## **BUDGET (cont'd)**

tax revenue to be shared among the municipalities is targeted to increase from \$118.4 million in FY 07 to \$130 million in FY 08. The size of that increase (nearly 10%) is partly due to overall revenue projections and partly due to the fact that the Legislature raided \$5 million from the FY 07 revenue sharing account in a budget action in 2005. Accordingly, the nearly 10% increase of FY 08 is followed by a more modest 3.5% increase in FY 09 to \$134.5 million. Another element of this line in the budget apparently authorizes the Treasurer to project the amount of the total distribution that will likely be allocated to the so-called "Rev II" distribution system and begin distributing proportionate amounts of "Rev II" each month throughout the fiscal year to the eligible towns and cities, rather than just in the final month or two of each fiscal year, as is the case presently.