Municipal Matters
The Revenue Sharing Program

State-Municipal Revenue Sharing

Findings and Purpose. The Legislature finds that:
A. The principal problem of financing municipal services is the burden on the property tax; and
B. To stabilize the municipal property tax burden and to aid in financing all municipal services, it is necessary to provide funds from the broad-based taxes of State Government. (30-A, Section 5681, Subsection 1)

This is the third article in a limited series discussing important municipal issues for the purpose of exploring the background and context for the positions taken by the Association’s Legislative Policy Committee.

Background. In 1971, the members of the 105th Maine Legislature enacted the state-municipal revenue sharing program, requiring the state to share a portion of sales and income tax revenue with communities. In the first year of implementation, $2.9 million in property tax relief was distributed to municipalities across the state, establishing a program that – to date – has delivered $3 billion in relief to all Maine property owners.

While the adoption of the revenue sharing program provided municipalities with a much needed non-property tax based funding source, it was not the only major public policy initiative adopted in the early 1970s. Through the enactment of the Shoreland Zoning Act and “current use” taxation system in 1972, and the 1973 repeal of the commercial inventory tax, state lawmakers simultaneously mandated municipal administration of the land use regulatory system in all shoreland areas, reduced the amount of property tax revenues collected from properties eligible for and enrolled in the Tree Growth, Farmland and Open space programs and repealed a municipal source of revenue.

The revenue sharing program was established as a way to structurally replace that lost municipal tax revenue, provide some generalized financial assistance associated with unfunded state mandates, and use a fraction of the state’s “broad based” and more progressive tax revenues to aid local level policymaking. In a nutshell, the program helps to mitigate the regressivity of the property tax.

How it works. From its inception to today, the municipal use of revenue sharing is required by state statute to be used for the single purpose of reducing the property tax rate. Specifically, Title 36, section 714 requires assessors to “deduct from the total amount required to be assessed an amount equal to the amount that the municipal officers estimate will be received” under the revenue sharing program during the municipality’s budget year.

As a sharing system, a fixed percentage of all state sales and income tax revenue is dedicated by statute to the “Local Government Fund” in such a way that it doesn’t get deposited into the state’s General Fund. The revenue sharing dedication is capitalized “above the line” and does not have to compete with other appropriations made by the Legislature in the process of enacting a state budget. Also, because the program requires a certain percentage of all state sales and income tax revenue to be dedicated to the program, revenue sharing distributions rise or fall naturally, in accordance with the rise and fall of state revenues. Unlike a fixed appropriation, the revenue sharing distribution decreases during difficult economic times and increases when the state is experiencing economic upswings.

When first enacted, the program was capitalized with four percent of all state sales and income tax revenue. In 1983, the Legislature increased that rate to 4.75 percent and then to 5.1 percent in 1985. Coincidentally or not, these increases occurred simultaneously with a major reform of public education, which imposed significant new educational mandates on local government.

In 2000, the Legislature created a revenue sharing supplement, more commonly known as “Rev II” that takes a share of total revenue sharing resources and distributes them to municipalities with disproportionately high property tax rates. When Rev II was created, the Legislature increased the rate of sales and income taxes going to the Local (continued on page 2)
Government Fund from 5.1 percent to 5.2 percent to cover the new supplemental distribution. Although that increase was in the law books for several years, that higher rate was never implemented and was eventually repealed. In 2009, the sharing percentage was established at a flat five percent in the context of a revenue sharing “simplification” effort worked on collaboratively between the Appropriations Committee and the Maine Municipal Association.

The original revenue sharing distribution formula still applies for 80 percent of all revenue sharing. Now referred to as “Rev I,” the distribution formula establishes each municipality’s share of the monthly distribution as the factor calculated by multiplying the municipal population by its “full value” property tax rate.

The only change to the basic distribution formula since the program’s inception is the Rev II distribution, which takes 20 percent of the Local Government Fund and distributes those resources on the basis of a slightly different factor. Under Rev II, the municipality’s population is multiplied by its full value mill rate minus 10 mills. Subtracting 10 mills from each municipality’s full value mill rate ensures the Rev II distribution is targeted to communities with property tax rates well over the state average.

**Municipal impacts.** Although the Maine Legislature honored its commitment to the state-municipal partnership by fully funding the program from its start in 1972 until 2005, beginning in 2006 transfers from the revenue sharing program to the state’s General Fund became routine and increasingly more significant. Between 2006 and 2015, over $320 million in revenue sharing funds were redirected to the state. In 2016, the Legislature took it one step further by reducing the amount of state sales and income tax revenue shared with municipalities from five percent to two percent for fiscal years 2016 to 2019. As a result, over that four year period an additional $387 million in revenue sharing funds were transferred out of municipal coffers and into the state’s General Fund. The net result has been a $708 million property tax burden shift over the course of 14 years.

Until the legislative transfers of revenue sharing funds started, the program was keeping property taxes down. In 2005— the last year the program was fully funded at the five percent level—the property tax accounted for 42 percent of the total revenues raised by sales, income and property taxes combined, with income and sales tax revenue accounting for 35 percent and 23 percent, respectively. However, after over a decade’s worth of transfers out of the revenue sharing program, the 2017 data show that the property tax now accounts for 46 percent of that total tax revenue mix, with the income tax accounting for 30 percent and the sales tax 24 percent of total tax revenue.

Fortunately, that direction is on course to change, as state statute requires funding for the revenue sharing program to be automatically restored to the five percent level on July 1, 2019. It is now up to the Legislature and Governor Mills to decide whether the path to full funding will be amended.

**Moving Forward.** Municipal officials strongly believe the revenue sharing program is an important element of a comprehensive property tax relief package that also includes the Homestead Exemption Program and the Property Tax Fairness Credit. The homestead program exports, in part, burden to second homeowners, the income tax credit supports residents with high property tax to income ratios, and the revenue sharing program directly reduces the property taxes raised, providing generalized relief to all property owners.

Local level leaders are calling on the Legislature to honor its long held commitment to share five percent of state sales and income tax revenue with municipal government partners, which is necessary for the efficient and fairly funded provision of all government services.
The committee is directed to convene planning groups and work with water resources, and identify at-risk watersheds. In the second phase, information regarding water withdrawal activities, coordinating state and federal agencies, and reporting findings to the Department of Agriculture, Conservation and Forestry. The bill details the works of the committee beginning in August 2020 annually report a summary of its work to the Maine Legislature. The committee is required to meet at least quarterly and provide recommendations resolving the water withdrawal issue.

**LEGISLATIVE HEARINGS**

*Note: You should check your newspapers for Legal Notices as there may be changes in the hearing schedule. Weekly schedules for hearing dates and times can be found at: [legislature.maine.gov/Calendar/#PHWS/](http://legislature.maine.gov/Calendar/#PHWS/).

**Tuesday, January 29**

**Energy, Utilities & Technology**
Room 211, Cross Building, 1:00 p.m.
Tel: 287-4143

LD 41 – An Act To Replace Net Energy Billing with a Market-based Mechanism.

LD 68 – An Act To Improve the Record Keeping of the Public Utilities Commission.

LD 91 – An Act To Eliminate Gross Metering.

**Wednesday, January 30**

**Education & Cultural Affairs**
Room 208, Cross Building, 9:00 a.m.
Tel: 287-3125

LD 98 – Resolve, Regarding Legislative Review of Portions of Chapter 122: Grant Application and Award Procedure: Fund for the Efficient Delivery of Educational Services, a Major Substantive Rule of the Department of Education.

1:00 p.m.

LD 29 – Resolve, To Implement the Recommendations of the Task Force To Address the Opioid Crisis in the State by Establishing a Work Group To Develop Educational Programming for Prevention of Substance Use and Substance Use Disorders among Youth and Adolescents.

LD 55 – An Act To Return the Normal Cost of Teacher Retirement to the State.

**Inland Fisheries & Wildlife**
Room 206, Cross Building, 10:00 a.m.
Tel: 287-1338

LD 26 – An Act To Provide Complimentary Lifetime Hunting and Fishing Licenses to Retired Game Wardens with 25 Years of Service.

LD 33 – An Act To Establish a Thanksgiving Youth Turkey Hunting Season.

LD 56 – An Act To Ban the Use of Personal Watercraft on Lower Wilson Pond and Upper Wilson Pond.

**Labor & Housing**
Room 202, Cross Building, 11:00 a.m.
Tel: 287-1331

LD 75 – An Act To Protect Earned Pay.

**Taxation**
Room 127, State House, 10:00 a.m.
Tel: 287-1552

LD 62 – An Act To Enhance the Senior Volunteer Benefit Program.

**Thursday, January 31**

**Energy, Utilities & Technology**
Room 211, Cross Building, 1:00 p.m.
Tel: 287-4143

LD 13 – An Act To Allow Microgrids That Are in the Public Interest.

**Environment & Natural Resources**
Room 216, Cross Building, 1:00 p.m.
Tel: 287-4149

LD 102 – An Act To Improve the Manufacturing of Plastic Bottle Caps.

**IN THE HOPPER**

(The bill summaries are written by MMA staff and are not necessarily the bill’s official 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.)

**Agriculture, Conservation and Forestry**

LD 199 – An Act To Create the Water Resources Planning Committee. (Sponsored by Rep. Sylvester of Portland)

This bill creates the Water Resources Planning Committee in the Department of Agriculture, Conservation and Forestry (ACF). Members of the committee must include personnel from the Department, Bureau of Resource Information and Land Use Planning, Division of Geology, Natural Areas and Costal Resources, Maine Geological Survey, Public Utilities Commission, Department of Environment Protection, Maine Land Use Planning Commission and the drinking water program of the Department of Health and Human Services, as well members with expertise in agriculture, public water utilities, water bottling, environment and conservation, water advocacy and water conservation education. The committee is required to meet at least quarterly and beginning in August 2020 annually report a summary of its work to the Department of Agriculture, Conservation and Forestry. The bill details three phases on which the committee is required to focus its effort. During the first phase, the committee is tasked with collecting and reviewing information regarding water withdrawal activities, coordinating state water resources, and identifying at-risk watersheds. In the second phase, the committee is directed to convene planning groups and work with other interested parties, including municipalities, to develop water use management guidelines for withdrawal activities from certain at-risk watersheds. If after the first two phases the oversubscription of water use remains an issue, in the third phase, the committee must make recommendations resolving the water withdrawal issue.

**Criminal Justice and Public Safety**

LD 223 – An Act Regarding Community Service Sentencing. (Sponsored by Rep. Verow of Brewer)

This bill allows a court to sentence an offender to community service such as litter collection and custodial duties for and under the supervision of the municipality in which the offense was committed.

LD 264 – An Act Regarding the Taking of a Blood Sample from an Operator of a Motor Vehicle Involved in a Fatal Accident. (Sponsored by Sen. Cyrway of Kennebec Cty.)

This bill allows an emergency medical services person or law enforcement officer whose training allows that person to draw blood samples to draw a specimen of blood from the operator of a motor vehicle involved in a fatal traffic accident for the purpose of determining the (continued on page 4)
blood-alcohol level or the presence of a drug or drug metabolite. This bill extends to those same persons the current law shielding persons from liability for acts done or omitted in collecting or withdrawing specimens of blood.

Education and Cultural Affairs

LD 236 – An Act Regarding the Use of Unanticipated State Aid for Kindergarten to Grade 12 Education. (Sponsored by Rep. Stearns of Guilford)

This bill requires the warrant presented to the legislative body of the regional school unit to include an article describing how unanticipated school aid will be used. In cases where the adjustment prevents the regional school unit board from raising 100% of the required local share, the Commissioner of Education must waive the required proration of the state share.

LD 259 – An Act To Require the State To Meet the Mandatory 55 Percent Contribution to Schools. (Sponsored by Sen. Miramant of Knox Cty.)

This bill increases the target for the state share of the adjusted total cost of the components of essential programs and services to 55%, as required by law, beginning in fiscal year 2019-20 and continuing at that rate annually.

LD 359 – An Act To Address Student Hunger with a “Breakfast after the Bell” Program. (Sponsored by Sen. Moore of Washington Cty.)

This bill requires a school administrative unit with a public school in which at least 50% of students qualified for a free or reduced-price lunch during the preceding school year to operate an alternative breakfast delivery service that provides breakfast after the start of the school day for students at that public school. It also provides a process for a school administrative unit to opt out of the alternative breakfast delivery service if the governing board of the school administrative unit holds a public hearing regarding the program and votes in the affirmative that the service would not be financially or logistically viable. This bill requires the Department of Education to adopt rules to develop an application process and to adopt standards to address evaluation criteria based on need for funding assistance for alternative breakfast delivery services in school administrative units. The bill also appropriates $1 million over the FY 20 – FY 21 biennium to support the program.


This bill requires consideration of modern wood heating systems, with wood biomass fuels sourced locally and in a manner that benefits the state’s economy, in the construction of new or substantially renovated schools or school buildings subject to State Board of Education approval.

Energy, Utilities and Technology


This bill provides the ConnectME Authority with a one-time $10 million allocation to be used to provide grants to municipalities for high-speed broadband infrastructure development and improvement.


This bill adds generators fueled by municipal solid waste in conjunction with recycling to the definition of “renewable capacity resource.”

LD 347 – An Act To Provide Sustainable Funding for Drinking Water and Wastewater Infrastructure. (Sponsored by Rep. DeChant of Bath)

This bill proposes to provide ongoing funding for improvements to water and wastewater infrastructure statewide, including, but not limited to, funding to support the State Water and Wastewater Infrastructure Fund.

LD 372 – An Act To Increase the Safety of Municipal Residents by Allowing Municipalities To Address Downed Wires in Extended Power Outages. (Sponsored by Rep. McCreight of Harpswell)

This bill allows a municipality, in the event of a power outage of 5 or more days, to hire appropriately licensed professionals to address power, telephone and similar lines that have been felled by weather events and that are preventing access to roadways within the municipality. It allows a municipality to apply to receive compensation from the local electric utility, the Department of Defense, Veterans and Emergency Management, Maine Emergency Management Agency, the United States Department of Homeland Security, Federal Emergency Management Agency or another funding source.

Environment and Natural Resources

LD 61 – An Act To Improve the Maine Bottle Redemption Process. (Sponsored by Rep. Fay of Raymond)

This concept draft bill proposes to simplify and improve the efficiency of the bottle redemption process.

LD 87 – An Act To Increase the Bottle Redemption Deposit. (Sponsored by Rep. Beebe-Center of Rockland) (By Request)

This bill increases to 25¢ the deposit and refund value on refillable and non-refillable beverage containers whose deposit and refund value is currently 5¢. This increase does not apply to wine and spirits containers.

LD 197 – An Act To Convene a Working Group To Authorize a Public Trust for Maine’s Groundwater and To Impose a 2-year Moratorium on Large-scale Groundwater Extraction. (Sponsored by Rep. Sylvester of Portland)

This bill imposes a 2-year moratorium, beginning November 1, 2019, on new contracts or agreements by a consumer-owned water utility, municipality, state agency or other governmental entity involving the extraction of more than 75,000 gallons of groundwater during any week or more than 50,000 gallons of groundwater on any day. The bill also directs the Commissioner of Environmental Protection to convene a working group to develop the statutory and regulatory framework for the establishment of the Maine Water Trust, which must be designed to ensure a safe and plentiful drinking water supply for all Maine residents by regulating the use of groundwater for commercial purposes. The commissioner must, on or before January 15, 2021, report the recommendations of the working group to the joint standing committee of the Legislature having jurisdiction over environment and natural resources matters, which may report out a bill to implement those recommendations to the First Regular Session of the 130th Legislature.

LD 216 – An Act To Protect Water Quality by Standardizing the Law Concerning Septic Inspection in the Shoreland Zone. (Sponsored by Rep. Fay of Raymond)

This bill extends to inland shoreland areas the requirement that subsurface wastewater disposal systems on property located within a shoreland area be inspected prior to a sale of the property. Currently, that inspection requirement applies only to the sale of property located within a coastal shoreland area.

LD 319 – An Act To Standardize the Laws Concerning Property Transfers and To Protect Water Quality. (Sponsored by Rep. Kesch of Belgrade)

This bill extends to inland shoreland areas the requirement that subsurface waste water disposal systems on property located within a shoreland area be inspected prior to a sale of the property. Currently, that inspection requirement applies only to the sale of property located within a coastal shoreland area.

LD 327 – An Act To Revise Maine’s Environmental Laws. (Sponsored by Rep. Tucker of Brunswick)

This concept draft bill proposes to revise the laws governing environmental protection.

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Health and Human Services


This bill requires all schools to test water used for drinking or culinary purposes for lead using water testing kits or by submitting samples of water to an approved laboratory for lead testing. It directs the Department of Health and Human Services to establish by major substantive rule water lead levels, testing protocols, appropriate abatement and mitigation methods and public notification requirements. It directs the department to provisionally adopt major substantive rules and submit them to the Legislature no later than 5:00 p.m. on January 10, 2020. It provides that the department has the authority to issue an order reducing exposure to lead until the elevated water lead levels are abated or mitigated. It provides that water lead abatement or mitigation efforts will receive Priority 1 status for receipt of funds from the School Revolving Renovation Fund.

LD 215 – An Act To Increase the Reimbursement Rate for Ambulance Service Paid by the Department of Corrections. (Sponsored by Rep. Pichecker of Warren)

This bill requires the Department of Corrections, or its contracted medical provider, to pay to a provider of ambulance services 225% of the allowable reimbursement under the MaineCare program for ambulance services provided for a person residing in a correctional or detention facility.

LD 266 – An Act To Eliminate the 2-year Limit on MaineCare Coverage for Approved Drugs for Opioid Use Disorder. (Sponsored by Sen. Linda Sanborn of Cumberland Cty.)

This bill repeals the 24-month limit on MaineCare coverage or reimbursement for buprenorphine and naloxone combination drugs, also known as Suboxone, for the treatment of addiction to opioids.

Labor and Housing

LD 298 – An Act To Establish a Conditional Presumption of Compensability for Corrections Employees in Cases of Impairment from Hypertension or Heart Disease. (Sponsored by Rep. Handy of Lewiston)

This bill amends the workers’ compensation laws by adding a presumption that heart disease or hypertension suffered by a state or county corrections employee was caused in the course of that employment, as long as the employee had successfully passed a physical examination upon entry into or during the course of that employment that failed to reveal any evidence of that condition.

LD 369 – An Act To Support Healthy Workplaces and Healthy Families by Providing Earned Paid Sick Leave to Certain Employees. (Sponsored by Sen. Millett of Cumberland Cty.)

This bill creates an employee right to not less than one hour of paid sick leave for every 30 hours worked for employers of more than 5 employees. The bill also creates a right to at least 40 hours of unpaid sick leave for employees of an employer that employs 5 or fewer employees. This bill takes effect January 1, 2021.

State and Local Government

LD 209 – An Act To Prohibit Municipalities from Prohibiting Short-term Rentals. (Sponsored by Rep. Strom of Pittsfield)

This bill prohibits municipalities from prohibiting or restricting the use of short-term rentals except for narrowly tailored regulations to protect the public health and safety.

LD 301 – An Act To Help Older Adults Age in Place through Comprehensive Planning. (Sponsored by Rep. Babbridge of Kennebunk)

This bill encourages municipalities to develop policies that assist older adults with aging in place and that create age-friendly communities. It amends the law governing comprehensive plans by encouraging municipalities to plan for the needs of older adults in their communities.

Veterans and Legal Affairs

LD 217 – An Act To Aid in Certain Veterans’ Organizations. (Sponsored by Rep. Sylvester of Portland)

This bill allows a licensed veterans’ organization, at the discretion of and by agreement with the Commissioner of Administrative and Financial Services, to sell liquor to the general public, subject to time-of-day and seasonal limitations defined at the time of license approval, if the organization has a valid license and is located in a municipality with fewer than 5,000 residents or is located on an island off the coast of the state that is provided with ferry service pursuant to state law.

LD 218 – An Act To Prohibit a Person from Collecting Contributions at a Polling Place. (Sponsored by Sen. Linda Sanborn of Cumberland Cty.)

This bill prohibits the collection of contributions at a polling place if the organization has a valid license and is located in a municipality with fewer than 5,000 residents or is located on an island off the coast of the state that is provided with ferry service pursuant to state law.

LD 218 – An Act To Prohibit a Person from Collecting Contributions at a Polling Place. (Sponsored by Sen. Linda Sanborn of Cumberland Cty.)

This bill prohibits the collection of contributions at a polling place if the organization has a valid license and is located in a municipality with fewer than 5,000 residents or is located on an island off the coast of the state that is provided with ferry service pursuant to state law.

LD 241 – An Act To Adjust the Personal Property Tax Exemption for Farm Machinery. (Sponsored by Rep. O’Neil of Saco)

This bill increases the amount of the exemption from personal property taxation for farm machinery from $10,000 to $45,000.

Transportation

LD 19 – An Act To Require Public School Busses To Be Equipped with School Buss Crossing Arms. (Sponsored by Rep. McCrenght of Harpswell)

This bill requires the front bumpers of school buses to be equipped with a crossing arm, which requires students to walk at least 10 feet in front of the bus when crossing the roadway.

LD 165 – An Act To Prohibit the Use of Handheld Phones and Devices While Driving. (Sponsored by Sen. Diamond of Cumberland Cty.)

The bill expands the current prohibition on minors and persons who have been issued a learner’s permit from operating a motor vehicle while using a handheld electronic device to prohibit all persons operating a motor vehicle. The bill includes exceptions to the prohibition to allow for hands-free operation of the device and for using a handheld electronic device to communicate with law enforcement or emergency services personnel under emergency circumstances. The bill provides that the penalty for a first offense is $75 and the penalty for a second or subsequent offense within a 3-year period is $150.

LD 180 – An Act To Allow for the Regulation of Transportation Network Companies at Airports by Municipalities. (Emergency) (Sponsored by Rep. Farnsworth of Portland)

This bill allows a municipality to adopt an ordinance governing the operations of a transportation network company at an airport located within that municipality.

LD 261 – An Act To Restrict the Authority for Posting of Roads. (Sponsored by Sen. Black of Franklin Cty.)

This bill requires publicly available written justification for imposing restrictions on a public way for more than 6 weeks, prohibits the imposition of size and weight restrictions for vehicles on a public way when the ambient air temperature is below 31 degrees Fahrenheit and protects the ability of a commercial entity to operate its vehicles on the public way where it is headquartered or where it is conducting its business activities.

LD 323 – An Act to Set the Minimum Penalty for Littering on State Highways at $1,000. (Sponsored by Rep. Cebra of Naples)

Under current law, a person who disposes of 15 pounds or less of litter commits a civil violation for which a fine of not less than $100 and not more than $500 may be adjudged. This bill provides an exception to the penalty provision requiring the assessment of a $1,000 fine for disposing of 15 pounds or less of litter on state highways.

LD 350 – An Act To Exempt Head Start School Buses from Snow Tire Restrictions. (Sponsored by Rep. Stewart of Presque Isle)

This bill exempts school buses operated by Head Start programs from the date restrictions on the use of studded snow tires.

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For the purpose of voting, this bill requires that a voter provide photographic identification approved by the Secretary of State.

LD 335 – An Act To Require the State To Distribute 25 Percent of Adult Use Marijuana Retail Sales and Excise Tax Revenue to Generating Municipalities. (Sponsored by Rep. Warren of Hallowell)

This bill allocates 25% of the gross sales and excise tax revenue generated by adult use marijuana establishments in the state to the municipalities where the revenue was generated and makes a reduction to the amount deposited in the Adult Use Marijuana Public Health and Safety Fund.

LD 374 – RESOLUTION, Proposing an Amendment to the Constitution of Maine To Require That Signatures on a Direct Initiative of Legislation Come from Each State Senatorial District. (Sponsored by Rep. Stewart of Presque Isle)

This resolution proposes to amend the Constitution of Maine to require that the signatures on a petition to directly initiate legislation be of voters from each of the state’s senate districts and that the number of signatures from each senate district be not less than 10% of the total votes for Governor cast in that senate district in the previous gubernatorial election. The resolution provides that, if the required votes are cast in favor of the proposed amendment to the Constitution, the proposed amendment becomes part of the Constitution on March 1, 2020 instead of on the date of the Governor’s proclamation.