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Bill To Address Abandoned Properties Advances

The Apr. 24 edition of the *Legislative Bulletin* detailed a bill submitted by Senator Nate Libby (Androscoggin Cty.), LD 1203, *An Act To Address the Detrimental Effects of Abandoned Property*.

As initially proposed, LD 1203 would authorize municipalities to adopt an ordinance that according to certain guidelines would allow the municipality to ensure the maintenance of abandoned properties going through the mortgage foreclosure process to prevent their dilapidation. The guidelines in the municipal ordinance, along with the authorizing statute, would include:

• The municipality issuing a notice to owners of record and lending financial institutions, inviting them to a hearing whereby the subject property could be determined to be "abandoned" according to certain standards already established in law.

• Subsequently authorizing the municipality to formally identify all defects on the property needing to be corrected in order to prevent the deterioration of the property.

• Authorizing the municipality to levy a daily fine of $2,000 to the owners and lenders for not addressing identified defects in abandoned property after being formally notified to do so.

• Allowing the municipality to levy a special tax to recover any costs the municipality expends in repairing the identified property defects when the owners or lenders fail to do so.

• Requiring any lender who initiates a foreclosure on a property to notify the municipality that it has done so.

• Requiring those foreclosing lenders to have an in-state contact for the municipality to correspond with regarding the property undergoing foreclosure.

Due to the concerns expressed primarily by the Maine Bankers Association and Maine Credit Union League, Sen. Libby amended his legislation to accomplish the policies detailed above, with two exceptions. Removed are the provisions that lenders be required to maintain properties the municipality determines to be abandoned, as well as the authority to levy a $2,000 per day fine for failure to correct defined defects. Also removed is the requirement that municipalities adopt ordinances to evoke their abandoned property authorities – the amended version of LD 1203 now automatically grants all municipalities the remaining authorities.

What the full amendment proposes, therefore, is an authority for municipalities, according to prescribed procedures, to determine certain properties to be abandoned, require their record owners to repair identified property defects, actually repair the property defects if the record owners fail to do so, and apply the supplemental property tax to recover the municipal costs. The requirement for the lenders to notify the municipality of all initiated foreclosures and provide contact information to the municipality identifying

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Divided Recommendation on Cutting Municipal Excise Tax Revenues by $20 Million

On Tuesday this week, the members of the Taxation Committee voted "ought not to pass" on LD 94, *An Act To Base the Excise Tax Imposed on the Purchase of a Motor Vehicle on the Price Paid* by a margin of 7 to 4.

Sponsored by Rep. Heather Sirocki of Scarborough, the printed version of LD 94 required the motor vehicle excise taxes collected and retained by municipalities to be assessed on the sale price of the vehicle rather than on the Manufacturer's Suggested Retail Price (MSRP) as has been required since 1929. The bill would have also required the state to reimburse municipalities for 100% of any lost excise tax revenue.

As amended by a minority of the Taxation Committee, after January 1, 2017 municipal excise tax collectors would be required to apply a 10% discount to the MSRP before assessing the tax. The existing excise tax rate structure, ranging from 24 mills for first year model cars to 4 mills in the sixth and subsequent years, would be retained.

For example, under the proposed amendment a first year model car with an MSRP of $30,000 would be assessed the 24 mill rate on the discounted value of $27,000. A second year model car with an MSRP of $20,000 would be assessed the 17.5 mill rate on a discounted MSRP of $18,000. And so on, and so forth.

Although the printed version of LD 94 provided state funding to cover the municipal revenue losses, the amendment does not. As a result, Maine Revenue Services estimates that municipalities statewide would lose $21 million in excise tax revenue each year if the amended version of the bill is enacted.

In the near future the merits of LD 94 will be debated in both the House and Senate.

Waiting in the Wings: The Bond Package

If the Legislature sticks to its schedule, only four weeks remain in this legislative session. Although the primary focus at the moment is on the Appropriations Committee and its effort to develop bipartisan consensus on a two-year state budget, it will not be long before the focus shifts to the bond package that will be placed on the statewide ballot in November for voter approval.

Developing a successful bond package takes the skill of a master chef who can:

• Gauge the overall appetite of the customers in the restaurant without either overestimating or underestimating.

• Coordinate and prepare the various dishes that make up the meal in a way that pleases the diners' collective palate, and

• Make sure the price of each meal is matched by its value.

MMA's 70-member Legislative Policy Committee (LPC) took up the chef's role at its meeting last month and laid out a bond package the LPC would submit to the voters for consideration if given the authority to do so.

Appetite. After reviewing a 20-year history of state general obligation borrowing (see sidebar), and intending to stay firmly within the biennial historical parameters, the LPC set the value of the total borrowing package over the next two year period at $185 million.

Meat and potatoes. The centerpiece of the municipally supported bond menu, as might be expected, is a meat-and-potatoes offering. Bonding priorities from the municipal perspective are capital investments that provide long-term returns on the investments measured in terms of economic development and increased economic vitality. From that perspective, the two bond measures of highest municipal priority would be dedicated to transportation infrastructure and broadband infrastructure.

The LPC is so supportive of these two investments, it developed two bond proposals that are currently in the queue of 35-plus borrowing measures awaiting the Appropriations Committee's consideration.

Transportation. LD 628, *An Act To Authorize a General Fund Bond Issue To Invest in Transportation Infrastructure,* was developed by MMA's Policy Committee and Senator Bill Diamond (Cumberland Cty.) was kind enough to sponsor the bill at the municipal request. This bill would advance a $125 million bond issue for transportation infrastructure purposes, dedicating $81.25 million to repair and reconstruct state and municipal roads, highways and bridges, and almost $45 million for other transportation infrastructure, including a healthy $25 million to improve state-owned rail lines, $10 million to upgrade public transportation systems, $6.25 million to create and improve pedestrian trails and $2.5 million for improvements to ports and harbors.

LD 628 is not the only significant transportation bond proposal in the deck. Nine of the 35 bond bills submitted to the Legislature are transportation related. Among the several comprehensive proposals in that bunch, Rep. Andrew McLean of Gorham is sponsoring an even beefier $190 million transportation package that dedicates the lion's share – $155 million – for highway and bridge repair and reconstruction purposes with $35 million to be allocated among marine transportation, aviation, railroad, public transportation and bicycle/pedestrian projects.

Sen. Jim Hamper (Oxford Cty.) is the sponsor of Gov. LePage's transportation bond proposal (LD 1415) that would send two transportation bonds to the voters for approval, the first to be placed on the November 2015 statewide ballot in the amount of $85 million and the second to be placed on the November 2016 state ballot in the amount of $90 million. In the aggregate, the Governor's $175 million package dedicates $140 million for the highway and bridge component and $35 million for other transportation-related purposes.

Broadband Infrastructure. An equally impressive slate of bills was introduced this legislative session to assist in the installation of the fiber optic infrastructure to support the high-speed internet capability upon which many types of business, large and small, now rely. All of those bills except one were referred to the Energy, Utilities and Technology (EUT) Committee and only one of the bills coming out of the EUT Committee is likely to offer any robust state funding to assist in broadband expansion, and only then if the bill does not die on the Appropriations Table. Only one of the broadband bills, the one referred to the Appropriations

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MMA's Legislative Policy Committee's Recommended 2015-2016 Bond Package

Transportation	$125 million
Broadband Expansion	$10 million
Research and Economic Development	$15 million
Water/Wastewater/Storm Water/Culverts	$11 million
Public Facilities/Downtown Revitalization	$ 8 million
Energy Conservation/Weatherization/Housing	$ 7 million
Other (Higher Ed. Capital/Land for Maine's Future, etc.)	$ 9 million
Total	$185 million

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The Bond Package (cont'd)

Committee, provides a path to capitalize those investments using bond funding, and that is the bill developed and advanced by the LPC. LD 68, *An Act To Authorize a General Fund Bond Issue by Investing in High-speed Broadband Infrastructure*, is sponsored on the municipalities' behalf by a broadband expansion enthusiast Rep. Jim Campbell of Newfield. LD 68 establishes the High-speed Municipal Broadband Infrastructure Fund to coordinate the opportunities for municipalities to develop and improve broadband infrastructure in their communities and proposes a $10 million bond issue to capitalize that fund. (A full update on the various broadband bills falling under the jurisdiction of the EUT Committee will be provided in next week's edition of the Legislative Bulletin.)

Filling out the menu. It would be a mistake to equate the priority of a proposed bond issue with its dollar value. A $125 million comprehensive transportation bond is one of the highest municipal priorities, but that doesn't diminish the importance of a broadband investment proposing just a fraction of that investment cost. Similarly, the remainder of the bond package recommended by municipal officials consists in some cases of lower levels of borrowing in terms of dollars, but for the purpose of supporting initiatives that are considered just as vital at the municipal level.

<u>Jobs bond/Economic Development.</u> Within the $185 million overall borrowing proposal recommended by the MMA's Policy Committee, $15 million should be dedicated to measures that directly nurture the state's capacity for long-term and sustained economic vitality. So-called "jobs bonds," research and development bonds, and bonds that stimulate technologies naturally suited to Maine's natural resource assets all fill this bill. There are at least four bond proposals in the mix that fall along these lines. The most directly on point, perhaps, is LD 1053, *An Act To Authorize a General Fund Bond Issue To Stimulate Investment in Innovation by Maine Businesses To Produce Nationally and Globally Competitive Products and Services*. Sponsored by Rep. Louis Luchini of Ellsworth, LD 1053 proposes a $50 million bond, to be administered by the Department of Economic and Community Development. The resources made available by LD 1053 would be used for research, development and commercialization efforts supporting the state's seven targeted technology sectors, providing infrastructure, equipment and technology upgrades.

<u>Water/Wastewater and Environmental investments</u>. Our Policy Committee's bond package would seek an $11 million issue for environmental enhancement purposes. For the last several years, a system to finance the state's leverage of

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Total General Obligation Bond Data 1995-2014

	Bond Principal Issued & Outstanding		General Obligation Bonds			Value of Bonds Sent to Voters	Maine Gross Domestic Product (GDP)	Outstanding Obligation % MEGDP
	General Fund	Highway Fund	Total Bond Retired	Total Interest Paid	Total Debt Service			
1995	377,055,000	136,950,000	74,317,610	30,465,440	104,783,050	91,900,000	$28,153,000,000	1.8%
1996	369,458,000	144,440,000	76,807,345	26,944,639	103,751,984	45,405,316	$29,256,000,000	1.8%
1997	339,621,000	129,060,000	87,917,345	27,619,969	115,537,314	73,850,000	$30,372,000,000	1.5%
1998	337,575,000	139,180,000	76,425,600	25,812,652	102,238,252	74,985,000	$32,104,000,000	1.5%
1999	334,725,000	133,700,000	79,615,000	25,512,957	105,127,957	154,362,031	$34,161,000,000	1.4%
2000	341,205,000	111,230,000	82,280,000	24,543,458	106,823,458	–	$36,438,000,000	1.2%
2001	297,405,000	108,635,000	87,670,000	23,814,726	111,484,726	146,700,000	$38,160,000,000	1.1%
2002	260,790,000	85,335,000	87,525,000	20,973,370	108,498,370	112,570,000	$39,989,000,000	0.9%
2003	293,990,000	64,120,000	85,095,000	18,381,501	103,476,501	149,400,000	$41,510,000,000	0.9%
2004	355,025,000	61,105,000	72,255,000	16,886,408	89,141,408	–	$44,352,000,000	0.9%
2005	439,110,000	47,825,000	66,720,000	17,982,112	84,702,112	83,000,000	$45,520,000,000	1.1%
2006	433,585,000	33,875,000	71,865,000	18,341,570	90,206,570	–	$47,594,000,000	1.0%
2007	398,280,000	50,460,000	79,695,000	20,852,772	100,547,772	228,575,000	$49,065,000,000	0.9%
2008	378,575,000	97,260,000	76,980,000	20,694,707	97,674,707	33,125,000	$49,500,000,000	1.0%
2009	408,925,000	121,065,000	79,190,000	21,102,152	100,292,152	71,250,000	$50,160,000,000	1.1%
2010	365,775,000	134,325,000	86,725,000	20,495,526	107,220,526	123,050,000	$50,674,000,000	1.0%
2011	378,880,000	141,350,000	88,005,000	20,091,904	108,096,904	–	$51,585,000,000	1.0%
2012	347,090,000	124,965,000	97,440,000	19,787,081	117,227,081	75,725,000	$53,235,000,000	0.9%
2013	261,495,000	108,230,000	102,330,000	18,076,400	120,406,400	149,500,000	$54,755,000,000	0.7%
2014	306,995,000	92,195,000	83,480,000	14,814,886	98,294,886	50,000,000	–	–

Source: http://www.maine.gov/legis/lawlib/bondvote.htm, http://www.bea.gov, Office of Fiscal and Program Review

Commission to Study Unfunded State Mandates Receives Party-Line Vote

Last week's *Legislative Bulletin* described the State and Local Government Committee's public hearing on LD 1377, *Resolve, To Establish the Commission To Study the Reduction of Unfunded and Outdated Municipal Mandates*. Sponsored by Senator Mike Thibodeau (Waldo Cty.), this resolve would have created a 10-member commission charged with meeting at least twice annually to review unfunded and outdated mandates placed on local government by the Legislature or state agency rules. At a work session on Monday of this week, the Committee's six Republicans voted to support LD 1377 while the six Democrats on the Committee voted "ought not to pass," along with the Independent legislator on the Committee, Rep. Jeff Evangelos of Friendship.

Despite the fact that no one testified in opposition to the resolve, the Democrats on the Committee voted against passage for two reasons. One reason was that the make-up of the commission would have been lopsided toward municipalities, "arming one side of like-minded people to bring forth grievances." In MMA's view, the municipal officials charged with carrying out state mandates are the appropriate parties to examine the relevance and continued propriety of unfunded state mandates, but if the Committee wanted to adjust the proposed membership in certain ways, that would have been perfectly acceptable.

The second reason given for opposing the bill is that MMA, as an organization representative of municipalities, could bring forth a list of mandates to be repealed or redesigned and that it seemed unnecessary to create a new government entity that would need to be funded to explore this issue. While it is true that MMA attempts to maintain an inventory of state mandates (see the most recently updated version on MMA's website at http://goo.gl/mO4Jlj), the process of evaluating those mandates by municipal officials and other interested parties who work with those mandates "in the field" is invaluable. The Mandate Working Group established by the Legislature in 2013 advanced the mandate evaluation process appreciably, but legislative support for that effort has stalled and deserves to be rekindled.

A split vote on the Committee of this nature does not bode well for the bill, which is likely to suffer the fate of other bills this session that are voted out of Committee along party lines. With support in one chamber of the Legislature and opposition in the other, the result is death by "non-concurrence" between the two bodies.

In addition to the updated mandate inventory, there is also available on MMA's website the responses from a survey on the subject Senate President Thibodeau conducted earlier this year. The link to the survey responses is http://goo.gl/MhbdvU. Appreciation was expressed for the municipal participation in the survey.

Party Line Votes on Revenue Sharing & Income Tax Proposals

Two bills of municipal interest were reported out of the Taxation Committee last week with divided recommendations along party lines. One bill would set the municipal revenue sharing on a path to restoration. The other bill would amend the state's Constitution to eliminate the income tax. With Committee recommendations now attached to them that are sharply divided along party lines, it is likely that both bills will die between the House and Senate in "non-concurrence". While a majority of the members of the Senate are likely to support the initiative providing voters the opportunity to repeal the income tax, the members of the House are not. With respect to the measure providing the Legislature with a plan for fully funding revenue sharing by FY 2020, that proposal is more than likely to gain support in the House and be opposed in the Senate.

Although punting the development of a revenue sharing restoration plan to the 2018 Legislature does little for municipal officials seeking local budget development and funding predictability, the preservation of the income tax as an element of the overall tax policy is reassuring. What follows is a brief recap of the Taxation Committee's work on these two issues.

Eliminating the Income Tax. As sponsored by Rep. Ken Fredette of Newport, on behalf of Governor LePage, LD 1367, *RESOLUTION*, *Proposing an Amendment to the Constitution of Maine To Eliminate the Income Tax*, would send out to Maine's voters the proposal to constitutionally prohibit the Legislature from taxing the incomes of Maine residents starting on January 1, 2020.

At its work session on May 13, the members of the Taxation Committee voted to oppose LD 1367 by a party line vote of 7 to 6. The Committee's Independent legislator, Rep. Gary Sukeforth of Union, sided with the majority report. The minority report is "ought to pass".

The Committee's discussion on LD 1367 was similar to the testimony provided at the public hearing. Proponents of the bill believe that the repeal of the income tax is necessary to improve and enhance business and economic development. The opponents of the bill are concerned that a plan to cut state revenue by $1.5 billion will result in significant reductions to important governmental services and programs, including state financial support for K-12 education.

Restoring Revenue Sharing – FY 2016 & Beyond. As reported in the May 1 edition of the Legislative Bulletin, the Taxation Committee was provided three proposals, some more detailed than others, to get the state back on track to fully fund the revenue sharing program. Currently the Legislature is funding only 40% of its statutory obligation, causing $62.5 million rather than $158 million to be distributed to municipalities statewide. In order to focus the discussion, the Com-

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The Bond Package (cont'd)

federal funds to capitalize revolving loan programs for drinking water and waste water facility upgrades has been established in a way that doesn't require borrowing. That system relies on tapping into surplus state revenues identified when the state's books are closed out at the conclusion of each fiscal year. To the extent that tapping into the "cascade" is meeting that need and fully leveraging available federal funds, so much the better. To any extent that system has failed to fully leverage the necessary federal support for Maine's water and wastewater infrastructure, the bond issue should pick up that slack. In addition, the Policy Committee's bond package could easily support LD 1069, *An Act To Authorize a General Fund Bond Issue to Upgrade Municipal Culverts and Stream Crossings*. Sponsored by Rep. Jeff McCabe (Skowhegan), LD 1069 proposes a $10 million bond issue, administered by the Department of Environmental Protection, for culvert repair and replacement purposes to help control flooding, improve fish passage and provide ecological protection benefits.

Public Facilities, Downtown Revitalization. Municipal officials believe that investments in public facilities and downtown centers create attractive places for private sector investment, helps sustain and improve the state's "brand", and generally support a healthy economic environment. The $185 million bond package recommended by MMA's Policy Committee would dedicate $8 million to those initiatives. The bond proposals in the possession of the Appropriations Committee related to this "Brookings Report" approach to economic development include a bond proposal submitted by Rep. Robert Saucier of Presque Isle (LD 108) and a similar proposal submitted by Sen. Anne Haskell (Cumberland Cty.), LD 254, which would borrow $25 million and $10 million, respectively, for revitalization, environmental enhancement and community betterment projects along riverways and waterfronts.

Energy Conservation/Weatherization. When it comes to Maine's housing stock, municipal officials believe investments in energy conservation, housing rehabilitation and weatherization guarantee valuable pay-backs. The LPC's bond package would include $7 million in this category. The proposed bill to be considered by the Appropriations Committee that most squarely deals with those programs is LD 1341, *An Act To Authorize a General Fund Bond Issue To Improve Maine's Housing Stock and Reduce Heating Costs and Oil Consumption*. Sponsored by Sen. Dawn Hill (York Cty.), LD 1341 calls for a $30 million bond issue, with $23 million dedicated to the Efficiency Maine Trust to modernize multifamily housing and market rate single family housing stock through improvements in weatherization and energy efficiency and $7 million to the Maine State Housing Authority to rehabilitate and modernize low-income housing stock with up to 4 housing units through similar improvements.

Maybe all of this is wishful thinking. The bond package to be presented to the voters in November is ultimately developed by legislative leadership of both political parties and both chambers and the Governor's Office. How the work of the Legislature in this area of public policy matches up with the recommendations of MMA's 70-member Legislative Policy Committee should become known within the next two or three weeks.

Abandoned Properties (cont'd)

the bank's in-state representative is also retained in the amended version of the bill.

Although this amendment will not move the foreclosing members into any enforceable property maintenance role, it nevertheless represents a step forward by improving communication between foreclosing lenders and municipalities, and providing a municipal authority to correct property management issues on abandoned properties while recovering the costs incurred by municipal maintenance efforts through a specially applied property tax that would turn into a lien if unpaid.

The Judiciary Committee agreed with the refined approach, voting unanimously in support of LD 1203 as finally amended by Sen. Libby.

Party Line Votes (cont'd)

mittee unanimously voted "ought not to pass" on two of the bills, reserving LD 980, *An Act To Restore Revenue Sharing*, sponsored by Rep. Denise Tepler of Topsham, as the vehicle for advancing a revenue sharing proposal.

At its work session on May 14, the members of the Taxation Committee voted to oppose LD 980 by a party line vote of 7 to 6. The Committee's Independent, Rep. Sukeforth, sided with the majority report.

The members voting in opposition to LD 980 believe that the Committee has already determined its position on the revenue sharing program. In response to the Governor's biennial budget, the Committee unanimously recommended that the revenue sharing program be funded at the $62.5 million level in both FY 16 and FY 17.

Those voting to support the bill believe that the Committee's work on the budget easily dovetails into LD 980. The Committee work on the budget provides a foundation, from this perspective, and LD 980 builds off that foundation by implementing a plan to move the state toward fully funding the revenue sharing program over a four-year period.

The final outcome on both LD 980 and LD 1367 will be determined by the entire Legislature in the upcoming weeks.